**BEFORE**

**THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA**

**Docket No. 2007-338-E**

| | | |
|---|---|---|
| In the Matter of<br>Application of Duke Energy Carolinas, LLC<br>for authorization under Article 13, Chapter 27<br>of Title 58 of the Code of Laws of South<br>Carolina (1976, as amended) to Issue and Sell<br>Securities | )<br>)<br>)<br>)<br>)<br>) | REPORT OF ISSUE AND SALE<br>OF SECURITIES |

## 1. Securities Issued and Sold

Duke Energy Carolinas, LLC (the "Company") hereby reports that, on November 19, 2009, pursuant to the authority granted by the Commission in Order Number 2008-755 in this docket, the Company issued and sold $750,000,000 aggregate principal amount of the Company's First and Refunding Mortgage Bonds, 5.30% Series due 2040 (the "Mortgage Bonds"), pursuant to an underwriting agreement, dated as of November 16, 2009, with Banc of America Securities, LLC, Citigroup Global Markets Inc., Morgan Stanley & Co. Incorporated and Wells Fargo Securities, LLC, as representatives of the several underwriters named therein (the "Underwriters"). The Mortgage Bonds were sold to the Underwriters at a discount to their principal amount. The Mortgage Bonds were issued under the First and Refunding Mortgage, dated as of December 1, 1927, as amended by the Ninetieth Supplemental Indenture (the "Supplemental Indenture"), dated as of November 19, 2009, between the Company and The Bank of New York Trust Company, N.A., as Trustee. The Supplemental Indenture, the Underwriting Agreement and the prospectus describing the Mortgage Bonds contain further details on the Mortgage Bonds. Such documents are attached hereto as exhibits and are incorporated by reference to this description of the Mortgage Bonds.

Following is an itemized statement of expenses, other than underwriting compensation, incurred by the Company in effecting the Mortgage Bonds offering. Certain of such expenses are estimates.

| | | |
|---|---|---|
| Accounting Fees | $ | 30,000 |
| Legal Fees and Expenses | $ | 50,000 |
| Printing Costs | $ | 20,000 |
| Rating Agency Fees | $ | 258,000 |
| SEC Registration Fee | $ | 42,000 |
| Trustee Fees | $ | 10,000 |
| Miscellaneous | $ | 15,000 |
| TOTAL | $ | 425,000 |

**2. Remaining Authority under Commission Order**

The securities reported herein represent $750,000,000 of the $2,000,000,000 initially authorized by the Commission in its Order in this Docket. After issuance of such securities, a balance of $350,000,000 remained authorized under this Docket.

**3. Exhibits**

Pursuant to the Commission's Order, there are attached hereto and made a part of this Report the following exhibits:

1. Prospectus Supplement dated November 16, 2009, describing the Mortgage Bonds offering.
2. Underwriting Agreement dated November 16, 2009, between the Company and the Underwriters relating to the offering of Mortgage Bonds.
3. Ninetieth Supplemental Indenture to First and Refunding Mortgage.

Respectfully submitted this 26th day of January, 2010.

DUKE ENERGY CAROLINAS, LLC

By: _____
Assistant Secretary

Sworn to and subscribed before me
this 26th day of January, 2010.

_____
Notary Public
My Commission Expires: 4.26.2011

[SEAL]

**BEFORE**
**THE PUBLIC SERVICE COMMISSION OF**
**SOUTH CAROLINA**

**DOCKET NO. 2007-338-E**

| | |
|---|---|
| Application of Duke Energy Carolinas, LLC, | ) |
| For Authorization Under Article 13, Chapter | ) |
| 27 of Title 58 Of The Code Of Laws of South | ) |
| Carolina, (1976, As Amended), to Issue and | ) |
| Sell Securities | ) |
| | ) |

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**REPORT OF ISSUE AND SALE**

**OF SECURITIES**

# EXHIBIT 1

**PROSPECTUS SUPPLEMENT**
**DATED NOVEMBER 16, 2009**

**PROSPECTUS SUPPLEMENT**
**(To Prospectus dated October 3, 2007)**

Duke Energy®

Carolinas

# $750,000,000 First and Refunding Mortgage Bonds, 5.30% Series due 2040

Duke Energy Carolinas, LLC is offering $750,000,000 aggregate principal amount of First and Refunding Mortgage Bonds, 5.30% Series due 2040 (the "Mortgage Bonds"). We will pay interest on the Mortgage Bonds at a rate of 5.30% per annum, payable semi-annually in arrears on February 15 and August 15 of each year, beginning on August 15, 2010. The Mortgage Bonds will mature as to principal on February 15, 2040. The Mortgage Bonds are secured by a continuing lien on certain of our properties and franchises.

We may redeem the Mortgage Bonds at our option at any time and from time to time, in whole or in part, as described in this prospectus supplement under the caption "Description of the Mortgage Bonds — Optional Redemption." The Mortgage Bonds will also be redeemable through the operation of the Replacement Fund (as defined in the accompanying prospectus under "Description of the First and Refunding Mortgage Bonds — Replacement Fund") or upon application of moneys arising from a taking of any of the mortgaged property by eminent domain or similar action at any time or from time to time at the special redemption price of 100% of their principal amount, together with accrued and unpaid interest to the redemption date. We have agreed not to apply any cash deposited with the trustee pursuant to the Replacement Fund to the redemption of the Mortgage Bonds so long as any of the First and Refunding Mortgage Bonds presently outstanding and entitled to the benefit of the Replacement Fund remain outstanding. See "Description of the First and Refunding Mortgage Bonds — Replacement Fund" in the accompanying prospectus.

The Mortgage Bonds will not be listed on any securities exchange or included in any automated quotation system. Currently, there is no public market for the Mortgage Bonds. Please read the information provided under the caption "Description of the Mortgage Bonds" in this prospectus supplement and "Description of the First and Refunding Mortgage Bonds" in the accompanying prospectus for a more detailed description of the Mortgage Bonds.

**Investing in the Mortgage Bonds involves risks. See the section captioned "Risk Factors" in our annual report on Form 10-K for the year ended December 31, 2008 which has been filed with the Securities and Exchange Commission and is incorporated by reference in this prospectus supplement and the accompanying prospectus.**

| | Price to Public(1) | Underwriting Discount(2) | Proceeds to Duke Energy Carolinas, LLC before expenses(1) |
|---|---|---|---|
| Per Mortgage Bond | 99.573% | 0.875% | 98.698% |
| Total Mortgage Bonds | $746,797,500 | $6,562,500 | $740,235,000 |

(1) Plus accrued interest, if any, from November 19, 2009, if settlement occurs after that date.

(2) The underwriters have agreed to make a payment to us in an amount equal to $937,500, including in respect of expenses incurred by us in connection with the offering. See "Underwriting."

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

We expect the Mortgage Bonds to be ready for delivery only in book-entry form through the facilities of The Depository Trust Company for the accounts of its participants, including Clearstream Banking, société anonyme, Luxembourg and Euroclear Bank S.A./N.V., on or about November 19, 2009.

*Joint Book-Running Managers*

**BofA Merrill Lynch** **Citi** **Morgan Stanley** **Wells Fargo Securities**

*Co-Managers*

**BBVA Securities** **Banca IMI** **Goldman, Sachs & Co.**

**Scotia Capital** **SunTrust Robinson Humphrey**

*Junior Co-Managers*

**Blaylock Robert Van, LLC** **Cabrera Capital Markets, LLC** **CastleOak Securities, L.P.**

**S.L. Hare** **Toussaint Capital**

The date of this prospectus supplement is November 16, 2009.

**You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized anyone to provide you with information that is different. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in or incorporated by reference in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date of the document containing the information.**

## TABLE OF CONTENTS

### Prospectus Supplement



### Prospectus



## ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering.

If the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information contained in or incorporated by reference in this prospectus supplement.

It is important for you to read and consider all information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus in making your investment decision. You should also read and consider the information contained in the documents to which we have referred you in "Where You Can Find More Information" in this prospectus supplement and the accompanying prospectus.

Unless we have indicated otherwise, or the context otherwise requires, references in this prospectus supplement and the accompanying prospectus to "Duke Energy Carolinas," "we," "us" and "our" or similar terms are to Duke Energy Carolinas, LLC and its subsidiaries.

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## PROSPECTUS SUPPLEMENT SUMMARY

*The following summary is qualified in its entirety by, and should be read together with, the more detailed information that is incorporated or deemed to be incorporated by reference in this prospectus supplement and the accompanying prospectus. See "Where You Can Find More Information" in this prospectus supplement for information about how you can obtain the information that is incorporated or deemed to be incorporated by reference in this prospectus supplement and the accompanying prospectus. Investing in the Mortgage Bonds involves risks. See the section captioned "Risk Factors" in our annual report on Form 10-K for the year ended December 31, 2008.*

### Duke Energy Carolinas, LLC

Duke Energy Carolinas, a wholly owned subsidiary of Duke Energy Corporation, generates, transmits, distributes and sells electricity. Its service area covers approximately 22,000 square miles with an estimated population of 6 million in central and western North Carolina and western South Carolina. Duke Energy Carolinas supplies electric service to approximately 2.4 million residential, commercial and industrial customers over 100,000 miles of distribution lines and a 13,000 mile transmission system.

We are a North Carolina limited liability company. The address of our principal executive offices is 526 South Church Street, Charlotte, North Carolina 28202-1803. Our telephone number is (704) 594-6200.

The foregoing information about Duke Energy Carolinas is only a general summary and is not intended to be comprehensive. For additional information about Duke Energy Carolinas, you should refer to the information described under the caption "Where You Can Find More Information."

### The Offering

| | |
|---|---|
| **Issuer** | Duke Energy Carolinas, LLC |
| **Security Offered** | We are offering $750,000,000 aggregate principal amount of First and Refunding Mortgage Bonds, 5.30% Series due 2040. |
| **Maturity** | The Mortgage Bonds will mature on February 15, 2040. |
| **Interest Rate** | 5.30% per year. |
| **Interest Payment Dates** | Interest on the Mortgage Bonds shall be payable semi-annually in arrears on February 15 and August 15 of each year, beginning on August 15, 2010. |
| **Ranking** | The Mortgage Bonds are First and Refunding Mortgage Bonds of Duke Energy Carolinas, LLC. All of the outstanding First and Refunding Mortgage Bonds are equally and ratably secured without preference, priority or distinction. |
| **Collateral** | The Mortgage Bonds are secured by a lien that covers substantially all of our properties, real, personal and mixed, and our franchises, including properties acquired after the date of the mortgage as supplemented governing the Mortgage Bonds. |
| **Certain Covenants** | The Mortgage, which is described in this prospectus supplement under the caption "Description of the Mortgage Bonds," contains certain covenants that, among other things, limit our ability and the ability of certain of our subsidiaries to create liens on our assets. See "Description of the Mortgage Bonds" in this prospectus supplement and "Description of the First and Refunding Mortgage Bonds" in the accompanying prospectus. |
| **Optional Redemption** | The Mortgage Bonds are redeemable at the option of Duke Energy Carolinas, LLC at any time and from time to time, in whole or in |

| | |
|---|---|
| | part, at a redemption price equal to the greater of (1) 100% of the principal amount of the Mortgage Bonds being redeemed and (2) the sum of the present values of the remaining scheduled payments of principal and interest on such Mortgage Bonds being redeemed (exclusive of interest accrued to the redemption date), discounted to the redemption date on a semi-annual basis at the Treasury Rate plus 20 basis points, plus, in either case, accrued and unpaid interest on the principal amount being redeemed to such redemption date. See "Description of the Mortgage Bonds — Optional Redemption".<br><br>The Mortgage Bonds will also be redeemable through the operation of the Replacement Fund or upon application of moneys arising from a taking of any of the underlying mortgaged property by eminent domain or similar action at any time or from time to time at the special redemption price of 100% of their principal amount, together with accrued and unpaid interest to the redemption date. We have agreed not to apply any cash deposited with the trustee pursuant to the Replacement Fund to the redemption of the Mortgage Bonds so long as any of the First and Refunding Mortgage Bonds presently outstanding and entitled to the benefit of the Replacement Fund remain outstanding. See "Description of the First and Refunding Mortgage Bonds — Replacement Fund" in the accompanying prospectus. |
| **No Sinking Fund** | There is no sinking fund for the Mortgage Bonds. |
| **Use of Proceeds** | The net proceeds from the sale of the Mortgage Bonds, after deducting the underwriting discount and related offering expenses and giving effect to the underwriters' payment to us, will be approximately $740.75 million. The net proceeds from the sale of the Mortgage Bonds will be used to fund capital expenditures for our ongoing construction program and for general company purposes, including repayment at maturity of our $300,000,000 Senior Notes, 7.375% Series due March 1, 2010, and our $200,000,000 First and Refunding Mortgage Bonds, 4.50% Series due April 1, 2010. |
| **Book-Entry** | The Mortgage Bonds will be represented by one or more global securities registered in the name of and deposited with or on behalf of The Depository Trust Company ("DTC") or its nominee. Beneficial interests in the Mortgage Bonds will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Investors may elect to hold interests in the global securities through either DTC in the United States or Clearstream Banking, société anonyme, Luxembourg ("Clearstream, Luxembourg") or Euroclear Bank S.A./N.V., as operator of the Euroclear System (the "Euroclear System") in Europe if they are participants in those systems, or indirectly through organizations which are participants in those systems. This means that you will not receive a certificate for your Mortgage Bonds and Mortgage Bonds will not be registered in your name, except under certain limited circumstances described under the caption "Book-Entry System." |
| **Trustee** | The Bank of New York Mellon Trust Company, N.A. |

## RISK FACTORS

You should carefully consider the risk factors under the heading "Risk Factors" in our annual report on Form 10-K for the year ended December 31, 2008 which is incorporated by reference in this prospectus supplement, as well as the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus, before making an investment decision.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This prospectus supplement and the accompanying prospectus include "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are based on management's beliefs and assumptions. These forward-looking statements are identified by terms and phrases such as "anticipate," "believe," "intend," "estimate," "expect," "continue," "should," "could," "may," "plan," "project," "predict," "will," "potential," "forecast," "target," and similar expressions. Forward-looking statements involve risks and uncertainties that may cause actual results to be materially different from the results predicted. Factors that could cause actual results to differ materially from those indicated in any forward-looking statement include, but are not limited to:

- State and federal legislative and regulatory initiatives, including costs of compliance with existing and future environmental requirements;
- State and federal legislative and regulatory initiatives and rulings that affect cost and investment recovery or have an impact on rate structures;
- Costs and effects of legal and administrative proceedings, settlements, investigations and claims;
- Industrial, commercial and residential growth or decline in our service territories, customer base or customer usage patterns;
- Additional competition in electric markets and continued industry consolidation;
- The influence of weather and other natural phenomena on our operations, including the economic, operational and other effects of storms, hurricanes, droughts and tornados;
- The timing and extent of changes in commodity prices and interest rates;
- Unscheduled generation outages, unusual maintenance or repairs and electric transmission system constraints;
- The performance of electric generation facilities;
- The results of financing efforts, including our ability to obtain financing on favorable terms, which can be affected by various factors, including our credit ratings and general economic conditions;
- Declines in the market prices of equity securities and resultant cash funding requirements upon us for Duke Energy Corporation's defined benefit pension plans;
- The level of creditworthiness of counterparties to our transactions;
- Employee workforce factors, including the potential inability to attract and retain key personnel;
- Growth in opportunities for our business, including the timing and success of efforts to develop power and other projects;
- Construction and development risks associated with the completion of our capital investment projects in existing and new generation facilities, including risks related to financing, obtaining and complying with terms of permits, meeting construction budgets and schedules, and satisfying operating and environmental performance standards, as well as the ability to recover costs from customers in a timely manner; and
- The effect of accounting pronouncements issued periodically by accounting standard-setting bodies.

In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements included or incorporated by reference in this prospectus supplement and the accompanying prospectus might not occur or might occur to a different extent or at a different time than we have described. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

## RATIOS OF EARNINGS TO FIXED CHARGES

The ratios of earnings to fixed charges have been calculated using the Securities and Exchange Commission guidelines.

| | Nine Months Ended September 30, 2009 | Year Ended December 31, | | | | |
|---|---|---|---|---|---|---|
| | | 2008 | 2007 | 2006 | 2005 | 2004 |
| Earnings (as defined for the fixed charges calculation) | | | | | | |
| Add: | | | | | | |
| Pretax income from continuing operations[a] | $ 892 | $1,065 | $1,014 | $ 890 | $ 980 | $ 910 |
| Fixed charges | 302 | 402 | 329 | 502 | 1,159 | 1,433 |
| Distributed income of equity investees | — | — | — | 215 | 473 | 140 |
| Deduct: | | | | | | |
| Preference security dividend requirements of consolidated subsidiaries | — | — | — | 7 | 27 | 31 |
| Interest capitalized[b] | 46 | 46 | 22 | 18 | 23 | 18 |
| Total earnings (as defined for the fixed charges calculation) | $1,147 | $1,421 | $1,321 | $1,582 | $2,562 | $2,434 |
| Fixed charges: | | | | | | |
| Interest on debt, including capitalized portions | $ 289 | $ 376 | $ 314 | $ 481 | $1,096 | $1,365 |
| Estimate of interest within rental expense | 13 | 26 | 15 | 14 | 36 | 37 |
| Preference security dividend requirements of consolidated subsidiaries | — | — | — | 7 | 27 | 31 |
| Total fixed charges | $ 302 | $ 402 | $ 329 | $ 502 | $1,159 | $1,433 |
| Ratio of earnings to fixed charges | 3.8 | 3.5 | 4.0 | 3.2 | 2.2 | 1.7 |

(a) Excludes minority interest expense and income or loss from equity investees.

(b) Excludes equity costs related to Allowance for Funds Used During Construction that are included in Other Income and Expenses in the Consolidated Statements of Operations.

## USE OF PROCEEDS

The net proceeds from the sale of the Mortgage Bonds, after deducting the underwriting discount and related offering expenses and giving effect to the underwriters' payment to us, will be approximately $740.75 million. The net proceeds from the sale of the Mortgage Bonds will be used to fund capital expenditures for our ongoing construction program and for general company purposes, including repayment at maturity of our $300,000,000 Senior Notes, 7.375% Series due March 1, 2010, and our $200,000,000 First and Refunding Mortgage Bonds, 4.50% Series due April 1, 2010.

## DESCRIPTION OF THE MORTGAGE BONDS

We will issue the Mortgage Bonds as a series of Bonds under our First and Refunding Mortgage, dated as of December 1, 1927, to The Bank of New York Mellon Trust Company, N.A., as Trustee, as supplemented and amended from time to time, including by the Ninetieth Supplemental Indenture (the "Ninetieth Supplemental Indenture"), to be dated as of November 19, 2009. The First and Refunding Mortgage is sometimes called the "Mortgage" and the First and Refunding Mortgage Bonds, 5.30% Series due 2040 are sometimes called the "Mortgage Bonds" in this prospectus supplement. The term "Bonds" refers to all mortgage bonds from time to time issued under the Mortgage, including the Mortgage Bonds. The trustee under the Mortgage is sometimes called the "Bond Trustee" in this prospectus supplement. The following description of the Mortgage Bonds is only a summary and is not intended to be comprehensive. For additional information, you should refer to the accompanying prospectus and to the Mortgage, which is an exhibit to the registration statement, of which the accompanying prospectus is a part.

### General

The Mortgage Bonds will be issued under the Mortgage. The Mortgage Bonds being offered hereby will be issued in the aggregate principal amount of $750,000,000. The amount of Bonds that we may issue under the Mortgage is unlimited subject to the provisions described in the accompanying prospectus under "Description of the First and Refunding Mortgage Bonds — Issuance of Additional Bonds." We may, without the consent of the holders of a series of Bonds, reopen such series of Bonds (including the Mortgage Bonds) and issue additional Bonds of such series under the Mortgage in addition to the Bonds of such series originally authorized.

We will issue the Mortgage Bonds only in fully registered form without coupons and there will be no service charge for any transfers and exchanges of the Mortgage Bonds. We may, however, require payment to cover any stamp tax or other governmental charge payable in connection with any transfer or exchange. Transfers and exchanges of the Mortgage Bonds may be made at The Bank of New York Mellon Trust Company, N.A., 101 Barclay Street, New York, New York 10286 or at any other office maintained by us for such purpose.

The Mortgage Bonds will be issuable in denominations of $2,000 and multiples of $1,000 in excess thereof.

### Interest

The Mortgage Bonds will mature on February 15, 2040. Interest on the Mortgage Bonds will accrue at the rate of 5.30% per annum from November 19, 2009 or from the most recent interest payment date to which interest on the Mortgage Bonds has been paid or provided for. We will make each interest payment on the Mortgage Bonds semi-annually in arrears on February 15 and August 15 of each year, commencing August 15, 2010, to each holder of record at the close of business on the February 1 and August 1 (whether or not a business day) preceding the applicable interest payment date until the relevant principal amount has been paid or made available for payment. Interest on the Mortgage Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months.

### Optional Redemption

We will have the right to redeem the Mortgage Bonds, in whole or in part at any time and from time to time, at a redemption price equal to the greater of (1) 100% of the principal amount of the Mortgage Bonds being redeemed and (2) the sum of the present values of the remaining scheduled payments of principal and interest on such Mortgage Bonds (exclusive of interest accrued to the redemption date), discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 20 basis points, plus, in either case, accrued and unpaid interest on the principal amount being redeemed to such redemption date.

"*Comparable Treasury Issue*" means the United States Treasury security or securities selected by the Quotation Agent as having an actual or interpolated maturity comparable to the remaining term of the Mortgage Bonds to be redeemed that would be utilized, at the time of selection and in accordance with

customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such Mortgage Bonds.

"*Comparable Treasury Price*" means, with respect to any redemption date, (A) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (B) if the Quotation Agent obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"*Quotation Agent*" means one of the Reference Treasury Dealers appointed by us.

"*Reference Treasury Dealer*" means each of Banc of America Securities LLC, Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated and a Primary Treasury Dealer (as defined herein) selected by Wells Fargo Securities, LLC, plus one other financial institution appointed by us at the time of any redemption or their respective affiliates or successors which are primary U.S. Government securities dealers; provided, however, that if any of the foregoing or their affiliates or successors shall cease to be a primary U.S. Government securities dealer in the United States (a "Primary Treasury Dealer"), we shall substitute therefor another Primary Treasury Dealer.

"*Reference Treasury Dealer Quotations*" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Quotation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Quotation Agent by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business day preceding such redemption date.

"*Treasury Rate*" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

The Mortgage Bonds will also be redeemable through the operation of the Replacement Fund or upon application of moneys arising from a taking of any of the underlying mortgaged property by eminent domain or similar action at any time or from time to time at the special redemption price of 100% of their principal amount, together with accrued and unpaid interest up to, but not including, the redemption date. We have agreed not to apply any cash deposited with the Bond Trustee pursuant to the Replacement Fund to the redemption of the Mortgage Bonds so long as any of the First and Refunding Mortgage Bonds presently outstanding and entitled to the benefit of the Replacement Fund remain outstanding.

**Redemption Procedures**

We will provide not less than 30 nor more than 60 days' notice mailed to each registered holder of the Mortgage Bonds to be redeemed. If the redemption notice is given and funds deposited as required, then interest will cease to accrue on and after the redemption date on the Mortgage Bonds or portions of such Mortgage Bonds called for redemption. In the event that any redemption date is not a business day, we will pay the redemption price on the next business day without any interest or other payment due to the delay.

**Release Provisions**

The Mortgage permits us to dispose of certain property and to take other actions without the Bond Trustee releasing that property. The Mortgage also permits the release of mortgaged property if we deposit cash or other consideration equal to the value of the mortgaged property to be released. In certain events and within certain limitations, the Bond Trustee is required to pay out cash that the Bond Trustee receives — other than for the Replacement Fund or as the basis for issuing Bonds — upon Duke Energy Carolinas' application.

We may withdraw cash that we deposited with the Bond Trustee as the basis for issuing Bonds in an amount equal to the principal amount of any Bonds that we are entitled to have authenticated and delivered on the basis of additional property (electric), on the basis of Bonds previously authenticated and delivered or on the basis of refundable prior lien bonds.

**Security**

The Mortgage creates a continuing lien to secure the payment of principal and interest on the Bonds. All the Bonds are equally and ratably secured without preference, priority or distinction. With some exceptions, the lien of the Mortgage covers substantially all of our properties, real, personal and mixed, and our franchises, including properties acquired after the date of the Mortgage. Those exceptions include cash, accounts receivable, inventories of materials and supplies, merchandise held for sale, securities that we hold, after-acquired property not useful in our electric business and after-acquired franchises not useful for the properties subject to the lien of the Mortgage.

We have not made any appraisal of the value of the properties subject to the lien of the Mortgage. The value of the properties in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. In the event of liquidation, if the proceeds were not sufficient to repay amounts under all of the Bonds then outstanding, then holders of the Bonds, to the extent not repaid from the proceeds of the sale of the collateral, would only have an unsecured claim against our remaining assets. As of September 30, 2009, we had total senior secured indebtedness of approximately $3.8 billion and total senior unsecured indebtedness of approximately $3.2 billion.

The lien of the Mortgage is subject to certain permitted liens and to liens that exist upon properties that we acquired after we entered into the Mortgage to the extent of the amounts of prior lien bonds secured by those properties (not, however, exceeding 75% of the cost or value of those properties) and additions to those properties. "Prior lien bonds" are bonds or other indebtedness that are secured at the time of acquisition by a lien upon property that we acquire after the date of the Mortgage that becomes subject to the lien of the Mortgage.

**Amendments of the Mortgage**

Subject to some exceptions, we may amend the Mortgage with the consent of the holders of 66⅔% in principal amount of the Bonds and we may amend the Mortgage for the benefit of the holders of the Mortgage Bonds offered hereby without the consent of the holders of such Mortgage Bonds. No amendment, however, which requires holder consent as aforesaid, may affect the rights under the Mortgage of the holders of less than all of the series of Bonds outstanding unless the holders of 66⅔% in principal amount of the Bonds of each series affected consent to the amendment. The covenants included in the Ninetieth Supplemental Indenture for the Mortgage Bonds offered hereby are solely for the benefit of the holders of such Mortgage Bonds offered pursuant to this prospectus supplement.

**Events of Default**

The Bond Trustee may, and at the written request of the holders of a majority in principal amount of the outstanding Bonds will, declare the principal of all outstanding Bonds due when any event of default under the Mortgage occurs. The holders of a majority in principal amount of the outstanding Bonds may, however, waive the default and rescind the declaration if we cure the default. We provide a statement from an officer each year to the Bond Trustee stating whether we have complied with the covenants of the Mortgage.

**Concerning the Bond Trustee**

The Bank of New York Mellon Trust Company, N.A. is the Bond Trustee. Duke Energy Carolinas and some of its affiliates have banking relationships with The Bank of New York Mellon, an affiliate of the Bond Trustee. The Bank of New York Mellon or its affiliate also serves as trustee or agent under other indentures and agreements pursuant to which securities of Duke Energy Carolinas and of some of its affiliates are outstanding.

The Bond Trustee is under no obligation to exercise any of its powers at the request of any of the holders of the Bonds unless the holders thereof have offered to the Bond Trustee security or indemnity satisfactory to it against the cost, expenses and liabilities it might incur as a result. The holders of a majority in principal amount of the Bonds outstanding may direct the time, method and place of conducting any proceeding for any

remedy available to the Bond Trustee, or the exercise of any trust or power of the Bond Trustee. The Bond Trustee will not be liable for any action that it takes or omits to take in good faith in accordance with any such direction.

## CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS FOR NON-U.S. HOLDERS

The following discussion summarizes certain U.S. federal income tax considerations relevant to the acquisition, ownership and disposition of the Mortgage Bonds, and does not purport to be a complete analysis of all potential U.S. federal income tax considerations. This discussion only applies to Mortgage Bonds that are held as capital assets, within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "Code"), and that are purchased in the initial offering at the initial offering price by Non-U.S. Holders (as defined below). This summary is based on the Code, administrative pronouncements, judicial decisions and regulations of the Treasury Department, changes to any of which subsequent to the date of this prospectus supplement may affect the tax consequences described herein. This discussion does not describe all of the U.S. federal income tax considerations that may be relevant to Non-U.S. Holders in light of their particular circumstances or to Non-U.S. Holders subject to special rules, such as certain financial institutions; tax-exempt organizations; insurance companies; traders or dealers in securities or commodities; persons holding Mortgage Bonds as part of a hedge or other integrated transaction; or certain former citizens or residents of the United States. Persons considering the purchase of Mortgage Bonds are urged to consult their tax advisors with regard to the application of the U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction. Furthermore, this discussion does not describe the effect of U.S. federal estate and gift tax laws or the effect of any applicable foreign, state or local laws.

We have not and will not seek any rulings or opinions from the Internal Revenue Service (the "IRS") or counsel with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the acquisition, ownership or disposition of the Mortgage Bonds or that any such position would not be sustained.

**Prospective investors should consult their own tax advisors with regard to the application of the U.S. federal income tax considerations discussed below to their particular situations as well as the application of any state, local, foreign or other tax laws, including gift and estate tax laws.**

For purposes of this summary, a "Non-U.S. Holder" means a beneficial owner of a Mortgage Bond that, for U.S. federal income tax purposes, is not (i) an individual that is a citizen or resident of the United States; (ii) a corporation or other entity treated as a corporation for U.S. federal income tax purposes that is created or organized under the laws of the United States, any State thereof or the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income taxation; (iv) a trust if (A) a court within the United States is able to exercise primary control over its administration and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of such trust, or (B) the trust has made an election under the applicable Treasury regulations to be treated as a United States person.

If a partnership, or other entity or arrangement treated as a partnership for U.S. federal income tax purposes, holds Mortgage Bonds, the tax treatment of a partner in such a partnership will generally depend upon the status of the partner and the activities of the partnership. Partners in a partnership holding Mortgage Bonds should consult their tax advisor as to the particular U.S. federal income tax considerations relevant to the acquisition, ownership and disposition of the Mortgage Bonds applicable to them.

### Interest

A Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on payments of interest on the Mortgage Bonds provided that such Non-U.S. Holder (A) does not directly or indirectly, actually or constructively, own 10% or more of the total combined voting power of all classes of our or Duke Energy Corporation's stock entitled to vote, (B) is not a controlled foreign corporation that is related to us or Duke Energy Corporation directly or constructively through stock ownership, (C) is not a bank receiving such

interest on an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business, and (D) satisfies certain certification requirements. Such certification requirements will be met if (x) the Non-U.S. Holder provides its name and address, and certifies on an IRS Form W-8BEN (or a substantially similar form), under penalties of perjury, that it is not a United States person or (y) a securities clearing organization or certain other financial institutions holding the Mortgage Bonds on behalf of the Non-U.S. Holder certifies on IRS Form W-8IMY, under penalties of perjury, that such certification has been received by it and furnishes us or our paying agent with a copy thereof. In addition, we or our paying agent must not have actual knowledge or reason to know that the beneficial owner of the Mortgage Bonds is a United States person.

If interest on the Mortgage Bonds is not effectively connected with the conduct by the Non-U.S. Holder of a trade or business within the United States, but such Non-U.S. Holder does not satisfy the other requirements outlined in the preceding sentence, interest on the Mortgage Bonds generally will be subject to U.S. withholding tax at a 30% rate (or lower applicable treaty rate).

If interest on the Mortgage Bonds is effectively connected with the conduct by a Non-U.S. Holder of a trade or business within the United States, and, if certain tax treaties apply, is attributable to a permanent establishment or fixed base within the United States, then the Non-U.S. Holder generally will be subject to U.S. federal income tax on a net income basis at the rate applicable to United States persons generally (and, with respect to corporate holders, may also be subject to a 30% branch profits tax or a lower applicable treaty rate). If interest is subject to U.S. federal income tax on a net income basis in accordance with these rules, such interest payments will not be subject to U.S. withholding tax so long as the Non-U.S. Holder provides us or our paying agent with the appropriate documentation (generally an IRS Form W-8ECI).

**Sale or Other Taxable Disposition of the Mortgage Bonds**

A Non-U.S. Holder generally will not be subject to U.S. federal withholding tax with respect to gain, if any, recognized on the sale or other taxable disposition of the Mortgage Bonds. A Non-U.S. Holder will also generally not be subject to U.S. federal income tax with respect to such gain, unless (i) the gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States, and, if certain tax treaties apply, is attributable to a permanent establishment or fixed base within the United States, or (ii) in the case of a Non-U.S. Holder that is a nonresident alien individual, such Non-U.S. Holder is present in the United States for 183 or more days in the taxable year of the disposition and certain other conditions are satisfied. In the case described in (i) above, gain or loss recognized on the disposition of such Mortgage Bonds generally will be subject to U.S. federal income taxation in the same manner as if such gain or loss were recognized by a United States person, and, in the case of a Non-U.S. Holder that is a foreign corporation, may also be subject to the branch profits tax at a rate of 30% (or a lower applicable treaty rate). In the case described in (ii) above, the Non-U.S. Holder will be subject to a 30% tax on any capital gain recognized on the disposition of the Mortgage Bonds (after being offset by certain U.S. source capital losses).

**Information Reporting and Backup Withholding**

Information returns will be filed annually with the IRS in connection with payments we make on the Mortgage Bonds. Copies of these information returns may also be made available under the provisions of a specific tax treaty or other agreement to the tax authorities of the country in which the Non-U.S. Holder resides. Unless the Non-U.S. Holder complies with certification procedures to establish that it is not a United States person, information returns may be filed with the IRS in connection with the proceeds from a sale or other disposition and the Non-U.S. Holder may be subject to backup withholding tax (currently at a rate of 28%) on payments on the Mortgage Bonds or on the proceeds from a sale or other disposition of the Mortgage Bonds. The certification procedures required to claim the exemption from withholding tax on interest described above will satisfy the certification requirements necessary to avoid the backup withholding tax as well. The amount of any backup withholding from a payment to a Non-U.S. Holder will be allowed as a credit against the Non-U.S. Holder's U.S. federal income tax liability and may entitle the Non-U.S. Holder to a refund, provided that the required information is furnished to the IRS in a timely manner.

## BOOK-ENTRY SYSTEM

We have obtained the information in this section concerning The Depository Trust Company, or DTC, and its book-entry system and procedures from sources that we believe to be reliable, but we take no responsibility for the accuracy of this information.

The Mortgage Bonds initially will be represented by one or more fully registered global securities. Each global security will be deposited with, or on behalf of, DTC or any successor thereto and registered in the name of Cede & Co., DTC's nominee.

Investors may elect to hold interests in the global Mortgage Bonds through either DTC in the United States or Clearstream, Luxembourg or the Euroclear System in Europe if they are participants of such systems, or indirectly through organizations which are participants in such systems. Clearstream, Luxembourg and the Euroclear System will hold interests on behalf of their participants through customers' securities accounts in Clearstream, Luxembourg's and the Euroclear System's names on the books of their respective depositaries, which in turn will hold such interests in customers' securities accounts in the depositaries' names on the books of DTC. Citibank N.A. will act as depositary for Clearstream, Luxembourg and JPMorgan Chase Bank, N.A. will act as depositary for the Euroclear System (in such capacities, the "U.S. Depositaries").

You may hold your interests in a global security in the United States through DTC, either as a participant in such system or indirectly through organizations which are participants in such system. So long as DTC or its nominee is the registered owner of the global securities representing the Mortgage Bonds, DTC or such nominee will be considered the sole owner and holder of the Mortgage Bonds for all purposes of the Mortgage Bonds and the Mortgage. Except as provided below, owners of beneficial interests in the Mortgage Bonds will not be entitled to have the Mortgage Bonds registered in their names, will not receive or be entitled to receive physical delivery of the Mortgage Bonds in definitive form and will not be considered the owners or holders of the Mortgage Bonds under the Mortgage, including for purposes of receiving any reports that we or the Bond Trustee deliver pursuant to the Mortgage. Accordingly, each person owning a beneficial interest in a Mortgage Bond must rely on the procedures of DTC or its nominee and, if such person is not a participant, on the procedures of the participant through which such person owns its interest, in order to exercise any rights of a holder of Mortgage Bonds.

Unless and until we issue the Mortgage Bonds in fully certificated form under the limited circumstances described below under the heading "— Certificated Mortgage Bonds":

- you will not be entitled to receive physical delivery of a certificate representing your interest in the Mortgage Bonds;
- all references in this prospectus supplement or in the accompanying prospectus to actions by holders will refer to actions taken by DTC upon instructions from its direct participants; and
- all references in this prospectus supplement or the accompanying prospectus to payments and notices to holders will refer to payments and notices to DTC or Cede & Co., as the registered holder of the Mortgage Bonds, for distribution to you in accordance with DTC procedures.

### The Depository Trust Company

DTC will act as securities depositary for the Mortgage Bonds. The Mortgage Bonds will be issued as fully registered securities registered in the name of Cede & Co. DTC is:

- a limited-purpose trust company organized under the New York Banking Law;
- a "banking organization" under the New York Banking Law;
- a member of the Federal Reserve System;
- a "clearing corporation" under the New York Uniform Commercial Code; and
- a "clearing agency" registered under the provisions of Section 17A of the Securities Exchange Act of 1934.

DTC holds securities that its direct participants deposit with DTC. DTC also facilitates the settlement among participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in direct participants' accounts, thereby eliminating the need for physical movement of securities certificates.

Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC in turn is owned by a number of direct participants of DTC and members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (which are also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC and the Financial Industry Regulatory Authority, Inc. Access to the DTC system is also available to indirect participants such as securities brokers and dealers, banks and trust companies that clear transactions through or maintain a custodial relationship with a direct participant, either directly or indirectly. The rules applicable to DTC and its participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

If you are not a direct participant or an indirect participant and you wish to purchase, sell or otherwise transfer ownership of, or other interests in the Mortgage Bonds, you must do so through a direct participant or an indirect participant. DTC agrees with and represents to DTC participants that it will administer its book-entry system in accordance with its rules and by-laws and requirements of law. The SEC has on file a set of the rules applicable to DTC and its direct participants.

Purchases of the Mortgage Bonds under DTC's system must be made by or through direct participants, which will receive a credit for the Mortgage Bonds on DTC's records. The ownership interest of each beneficial owner is in turn to be recorded on the records of direct participants and indirect participants. Beneficial owners will not receive written confirmation from DTC of their purchase, but beneficial owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct or indirect participants through which such beneficial owners entered into the transaction. Transfers of ownership interests in the Mortgage Bonds are to be accomplished by entries made on the books of direct and indirect participants acting on behalf of beneficial owners. Beneficial owners will not receive physical delivery of certificates representing their ownership interests in the Mortgage Bonds, except as provided below in "— Certificated Mortgage Bonds."

To facilitate subsequent transfers, all Mortgage Bonds deposited with DTC are registered in the name of DTC's nominee, Cede & Co. The deposit of Mortgage Bonds with DTC and their registration in the name of Cede & Co. has no effect on beneficial ownership. DTC has no knowledge of the actual beneficial owners of the Mortgage Bonds. DTC's records reflect only the identity of the direct participants to whose accounts such Mortgage Bonds are credited, which may or may not be the beneficial owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants and by direct and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

**Book-Entry Format**

Under the book-entry format, the Bond Trustee will pay interest and principal payments to Cede & Co., as nominee of DTC. DTC will forward the payment to the direct participants, who will then forward the payment to the indirect participants or to the beneficial owners. You may experience some delay in receiving your payments under this system.

DTC is required to make book-entry transfers on behalf of its direct participants and is required to receive and transmit payments of principal, premium, if any, and interest on the Mortgage Bonds. Any direct participant or indirect participant with which you have an account is similarly required to make book-entry transfers and to receive and transmit payments with respect to Mortgage Bonds on your behalf. We and the

Bond Trustee have no responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Mortgage Bonds or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Bond Trustee will not recognize you as a holder of any Mortgage Bonds under the Mortgage and you can only exercise the rights of a holder indirectly through DTC and its direct participants. DTC has advised us that it will only take action regarding a Mortgage Bond if one or more of the direct participants to whom the Mortgage Bond is credited direct DTC to take such action. DTC can only act on behalf of its direct participants. Your ability to pledge Mortgage Bonds to indirect participants, and to take other actions, may be limited because you will not possess a physical certificate that represents your Mortgage Bonds.

**Certificated Mortgage Bonds**

Unless and until they are exchanged, in whole or in part, for Mortgage Bonds in definitive form in accordance with the terms of the Mortgage Bonds, the Mortgage Bonds may not be transferred except as a whole by DTC to a nominee of DTC; as a whole by a nominee of DTC to DTC or another nominee of DTC; or as a whole by DTC or nominee of DTC to a successor of DTC or a nominee of such successor.

We will issue Mortgage Bonds to you or your nominees, in fully certificated registered form, rather than to DTC or its nominees, only if:

- DTC notifies us that it is unwilling or unable to continue as depository or DTC is no longer a registered clearing agency under the Securities Exchange Act of 1934, and we are unable to appoint a qualified successor within 90 days;
- an event of default has occurred and is continuing with respect to the Mortgage Bonds; or
- we, at our option, and subject to DTC's procedures, elect to effect an exchange of global securities for Mortgage Bonds issued to you or your nominees.

If any of the above events occurs, DTC is required to notify all direct participants that Mortgage Bonds in fully certificated registered form are available through DTC. DTC will then surrender each global security representing the Mortgage Bonds along with instructions for re-registration. The Bond Trustee will re-issue the Mortgage Bonds in fully certificated registered form and will recognize the registered holders of the certificated Mortgage Bonds as holders under the Mortgage.

**Global Clearance and Settlement Procedures**

Initial settlement for the Mortgage Bonds will be made in immediately available funds. Secondary market trading between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled in immediately available funds using DTC's Same-Day Funds Settlement System. Secondary market trading between Clearstream, Luxembourg participants and/or Euroclear System participants will occur in the ordinary way in accordance with the applicable rules and operating procedures of Clearstream, Luxembourg and the Euroclear System, as applicable.

Cross-market transfers between persons holding directly or indirectly through DTC on the one hand, and directly or indirectly through Clearstream, Luxembourg participants or Euroclear System participants on the other, will be effected through DTC in accordance with DTC rules on behalf of the relevant European international clearing system by its U.S. Depositary; however, such cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its U.S. Depositary to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream, Luxembourg participants and Euroclear System participants may not deliver instructions directly to their respective U.S. Depositaries.

Because of time-zone differences, credits of Mortgage Bonds received in Clearstream, Luxembourg or the Euroclear System as a result of a transaction with a DTC participant will be made during subsequent securities settlement processing and dated the business day following the DTC settlement date. Such credits or any transactions in such Mortgage Bonds settled during such processing will be reported to the relevant Euroclear System Participant or Clearstream, Luxembourg participant on such business day. Cash received in Clearstream, Luxembourg or the Euroclear System as a result of sales of the Mortgage Bonds by or through a Clearstream, Luxembourg participant or a Euroclear System participant to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Clearstream, Luxembourg or the Euroclear System cash account only as of the business day following settlement in DTC.

Although DTC, Clearstream, Luxembourg and the Euroclear System have agreed to the foregoing procedures in order to facilitate transfers of Mortgage Bonds among participants of DTC, Clearstream, Luxembourg and the Euroclear System, they are under no obligation to perform or continue to perform such procedures and such procedures may be discontinued or changed at any time.

## UNDERWRITING

We have entered into an underwriting agreement with respect to the Mortgage Bonds with the underwriters listed below for whom Banc of America Securities LLC, Citigroup Global Markets Inc., Morgan Stanley & Co. Incorporated and Wells Fargo Securities, LLC are acting as representatives. Subject to certain conditions, each of the underwriters has severally agreed to purchase the principal amount of Mortgage Bonds indicated in the following table:

| Name | Principal Amount of Mortgage Bonds |
|---|---|
| Banc of America Securities LLC | $131,250,000.00 |
| Citigroup Global Markets Inc. | 131,250,000.00 |
| Morgan Stanley & Co. Incorporated | 131,250,000.00 |
| Wells Fargo Securities, LLC | 131,250,000.00 |
| Banca IMI S.p.A. | 37,500,000.00 |
| BBVA Securities Inc. | 37,500,000.00 |
| Goldman, Sachs & Co. | 37,500,000.00 |
| Scotia Capital (USA) Inc. | 37,500,000.00 |
| SunTrust Robinson Humphrey, Inc. | 37,500,000.00 |
| Blaylock Robert Van, LLC | 7,500,000.00 |
| Cabrera Capital Markets, LLC | 7,500,000.00 |
| CastleOak Securities, L.P. | 7,500,000.00 |
| SL Hare Capital, Inc. | 7,500,000.00 |
| Toussaint Capital Partners, LLC | 7,500,000.00 |
| Total | $750,000,000.00 |

The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the Mortgage Bonds are subject to certain conditions, including the receipt of legal opinions relating to certain matters. The underwriters must purchase all the Mortgage Bonds if they purchase any of the Mortgage Bonds.

### Commissions and Discounts

The Mortgage Bonds sold by the underwriters to the public will initially be offered at the initial price to the public set forth on the cover of this prospectus supplement and may be offered to certain dealers at that price less a concession not in excess of 0.50% of the principal amount of the Mortgage Bonds. The underwriters may allow, and those dealers may reallow, a discount not in excess of 0.25% of the principal amount of the Mortgage Bonds to certain other dealers. If all the Mortgage Bonds are not sold at the initial prices to public, the underwriters may change the offering price and the other selling terms.

The expenses of the offering, not including the underwriting discount, are estimated to be approximately $425,000. The underwriters have agreed to make a payment to us in an amount equal to $937,500, including in respect of expenses incurred by us in connection with the offering. We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended, or to contribute to payments the underwriters may be required to make in respect of any of these liabilities.

### New Issue of Mortgage Bonds

The Mortgage Bonds are a new issue of securities with no established trading market. We have been advised by the underwriters that the underwriters intend to make a market in the Mortgage Bonds, but they are not obligated to do so and may discontinue market-making at any time without notice. No assurance can be given as to the liquidity of any trading market for the Mortgage Bonds.

### Price Stabilization and Short Positions

In connection with the offering, the underwriters may engage in transactions that stabilize, maintain, or otherwise affect the price of the Mortgage Bonds. These transactions may include short sales, stabilizing

transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater aggregate principal amount of Mortgage Bonds than they are required to purchase in the offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Mortgage Bonds while the offering is in process.

These activities by the underwriters may stabilize, maintain or otherwise affect the market price of the Mortgage Bonds. As a result, the price of the Mortgage Bonds may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the underwriters at any time. These transactions may be effected in the over-the-counter market or otherwise.

**Other Relationships**

In the ordinary course of their respective businesses, some of the underwriters and/or their affiliates have in the past and may in the future provide us and our subsidiaries and affiliates with financial advisory and other services for which they have and in the future will receive customary fees.

**UK Selling Restrictions**

Each underwriter has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act (the "FSMA") received by it in connection with the issue or sale of the Mortgage Bonds in circumstances in which Section 21(1) of the FSMA does not apply to us; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Mortgage Bonds in, from or otherwise involving the United Kingdom.

**EEA Selling Restrictions**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Mortgage Bonds which are the subject of the offering contemplated by this prospectus supplement to the public in that Relevant Member State other than:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the lead underwriters; or

(d) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Mortgage Bonds shall require us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Mortgage Bonds to the public" in relation to any Mortgage Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Mortgage Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Mortgage Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

## EXPERTS

The consolidated financial statements and the related financial statement schedule incorporated in this prospectus supplement by reference from Duke Energy Carolinas LLC's Annual Report on Form 10-K for the year ended December 31, 2008 have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report, which is incorporated herein by reference, and have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

## LEGAL MATTERS

The validity of the Mortgage Bonds will be passed upon for Duke Energy Carolinas by Robert T. Lucas III, Esq., who is Duke Energy Carolinas' Associate General Counsel and Assistant Secretary. In rendering his opinion, Mr. Lucas will rely upon in-house and/or outside South Carolina counsel to Duke Energy Carolinas on all matters of South Carolina law. Certain legal matters with respect to the offering of the Mortgage Bonds will be passed upon for Duke Energy Carolinas by Robinson, Bradshaw & Hinson, P.A., Charlotte, North Carolina and for the underwriters by Sidley Austin LLP, New York, New York.

## WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and, in accordance therewith, file annual, quarterly and current reports and other information with the Securities and Exchange Commission, or the SEC. Such reports and other information can be inspected and copied at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may also obtain copies of these documents at prescribed rates from the Public Reference Section of the SEC at its Washington, D.C. address. Please call the SEC at 1-800-SEC-0330 for further information. Our filings with the SEC, as well as additional information about us, are also available to the public through Duke Energy Corporation's website at http://www.duke-energy.com and are made available as soon as reasonably practicable after such material is filed with or furnished to the SEC. The information on Duke Energy Corporation's website is not a part of this prospectus supplement or the accompanying prospectus. Our filings are also available to the public through the SEC website at http://www.sec.gov.

The SEC allows us to "incorporate by reference" into this prospectus supplement the information we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus supplement, and information that we file later with the SEC will automatically update and supersede this information. This prospectus supplement incorporates by reference the documents incorporated in the accompanying prospectus at the time the registration statement became effective and all later documents filed with the SEC, in all cases as updated and superseded by later filings with the SEC. Duke Energy Carolinas incorporates by reference the documents listed below and any future documents filed by Duke Energy Carolinas with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 until the offering is completed:

- Annual Report on Form 10-K for the year ended December 31, 2008;
- Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2009, June 30, 2009 and September 30, 2009; and
- Current Reports on Form 8-K filed June 16, 2009, October 20, 2009 and November 16, 2009.

We will provide you without charge a copy of these filings, other than any exhibits unless the exhibits are specifically incorporated by reference into this prospectus supplement. You may request a copy by writing us at the following address or telephoning one of the following numbers:

Investor Relations Department
P.O. Box 1005
Charlotte, North Carolina 28201
(704) 382-3853 or (800) 488-3853 (toll-free)

**Prospectus**

# Duke Energy Carolinas, LLC

## Senior Notes
## Subordinated Notes
## First and Refunding Mortgage Bonds

From time to time, we may offer the securities described in the prospectus separately or together in any combination, in one or more classes or series, in amounts, at prices and on terms that we will determine at the time of the offering.

We will provide specific terms of these offerings and securities in supplements to this prospectus. You should read carefully this prospectus, the information incorporated by reference in this prospectus and any prospectus supplement before you invest. This prospectus may not be used to offer or sell any securities unless accompanied by a prospectus supplement.

**Investing in our securities involves risks. You should carefully consider the information in the section entitled "Risk Factors" contained in our periodic reports filed with the Securities and Exchange Commission and incorporated by reference into this prospectus before you invest in any of our securities.**

We may offer and sell the securities directly, through agents we select from time to time or to or through underwriters or dealers we select. If we use any agents, underwriters or dealers to sell the securities, we will name them and describe their compensation in a prospectus supplement. The price to the public of those securities and the net proceeds we expect to receive from that sale will also be set forth in a prospectus supplement.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.**

The date of this prospectus is October 3, 2007.

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## TABLE OF CONTENTS

### Prospectus



## REFERENCES TO ADDITIONAL INFORMATION

This prospectus incorporates important business and financial information about us from other documents that are not included in or delivered with this prospectus. This information is available for you to review at the SEC's public reference room located at 100 F Street, N.E., Room 1580, Washington, DC 20549, and through the SEC's website, *www.sec.gov*. You can also obtain those documents incorporated by reference in this prospectus by requesting them in writing or by telephone from the company at the following address and telephone number:

Duke Energy Carolinas, LLC
526 South Church Street
Charlotte, North Carolina 28202
(800) 488-3853
Attention: Investor Relations
*www.duke-energy.com/investors*

See "Where You Can Find More Information" beginning on page 16.

## ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that Duke Energy Carolinas filed with the SEC utilizing a "shelf" registration process. Under the shelf registration process, we are registering an unspecified amount of Senior Notes, Subordinated Notes and First and Refunding Mortgage Bonds, and may issue any of such securities in one or more offerings.

This prospectus provides general descriptions of the securities Duke Energy Carolinas may offer. Each time securities are sold, a prospectus supplement will provide specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. The registration statement filed with the SEC includes exhibits that provide more details about the matters discussed in this prospectus. You should read this prospectus, the related exhibits filed with the SEC and any prospectus supplement, together with the additional information described under the caption "Where You Can Find More Information."

Unless we have indicated otherwise, or the context otherwise requires, references in this prospectus to "Duke Energy Carolinas," "we," "us" and "our" or similar terms are to Duke Energy Carolinas, LLC and its subsidiaries.

## FORWARD-LOOKING STATEMENTS

This prospectus and the information incorporated by reference in this prospectus include forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. These forward-looking statements are based on our management's beliefs and assumptions and on information currently available to us. Forward-looking statements include information concerning our possible or assumed future results of operations and statements preceded by, followed by or that include the words "may," "will," "could," projects," "believes," "expects," "anticipates," "intends," "plans," "estimates" or similar expressions.

Forward-looking statements involve risks, uncertainties and assumptions. Actual results may differ materially from those expressed in these forward-looking statements. Factors that could cause actual results to differ materially from these forward-looking statements include, but are not limited to, those discussed elsewhere in this prospectus and the documents incorporated by reference in this prospectus. You should not put undue reliance on any forward-looking statements. We do not have any intention or obligation to update forward-looking statements after we distribute this prospectus.

## THE COMPANY

Duke Energy Carolinas, a wholly owned subsidiary of Duke Energy Corporation, generates, transmits, distributes and sells electricity. Its service area covers approximately 22,000 square miles with an estimated population of 6 million in central and western North Carolina and western South Carolina. Duke Energy Carolinas supplies electric service to more than 2.2 million residential, commercial and industrial customers over 97,000 miles of distribution lines and a 13,000 mile transmission system. In addition, municipal and cooperative customers who purchased portions of the Catawba Nuclear Station may also buy power from a variety of suppliers including Duke Energy Carolinas, through contractual agreements.

We are a North Carolina limited liability company. The address of our principal executive offices is 526 South Church Street, Charlotte, North Carolina 28202-1803. Our telephone number is (704) 594-6200.

The foregoing information about Duke Energy Carolinas is only a general summary and is not intended to be comprehensive. For additional information about Duke Energy Carolinas, you should refer to the information described under the caption "Where You Can Find More Information."

## RISK FACTORS

Investing in our securities involves risks. Before purchasing any securities we offer, you should carefully consider the risk factors that are incorporated by reference herein from the section captioned "Risk Factors" in our Form 10-K report for the year ended December 31, 2006, together with all of the other information included in this prospectus and any prospectus supplement and any other information that we have incorporated by reference, including filings made with the SEC subsequent to the date hereof. Any of these risks, as well as other risks and uncertainties, could harm our financial condition, results of operations or cash flows.

## USE OF PROCEEDS

Unless stated otherwise in the applicable prospectus supplement, Duke Energy Carolinas intends to use the net proceeds from the sale of any offered securities:

- to redeem or purchase from time to time presently outstanding securities when it anticipates those transactions will result in an overall cost savings;
- to repay maturing securities;
- to finance its ongoing construction program; or
- for general company purposes.

## RATIO OF EARNINGS TO FIXED CHARGES

The ratio of earnings to fixed charges is calculated using the Securities and Exchange Commission guidelines.

| | Period Ended June 30, | Year Ended December 31, | | | | |
|---|---|---|---|---|---|---|
| | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
| | | | (Dollars in millions) | | | |
| Earnings as defined for fixed charges calculation | | | | | | |
| Add: | | | | | | |
| Pretax income from continuing operations(a) . . | $379 | $ 890 | $ 980 | $ 910 | $ 783 | $1,121 |
| Fixed charges . . . . . | 162 | 502 | 1,159 | 1,433 | 1,620 | 1,550 |
| Distributed income of equity investees . . . . . | — | 215 | 473 | 140 | 263 | 369 |
| Deduct: | | | | | | |
| Preference security dividend requirements of consolidated subsidiaries . . . . . | — | 7 | 27 | 31 | 139 | 170 |
| Interest capitalized(b) . . . . . | 10 | 18 | 23 | 18 | 58 | 193 |
| Total earnings (as defined for the Fixed Charges calculation) . . . . . | $529 | $1,582 | $2,562 | $2,434 | $2,469 | $2,677 |
| Fixed charges: | | | | | | |
| Interest on debt, including capitalized portions . . . . . | $155 | $ 481 | $1,096 | $1,365 | $1,441 | $1,340 |
| Estimate of interest within rental expense . . . . | 7 | 14 | 36 | 37 | 40 | 40 |
| Preference security dividend requirements of consolidated subsidiaries . . . . . | — | 7 | 27 | 31 | 139 | 170 |
| Total fixed charges . . . . . | $162 | $ 502 | $1,159 | $1,433 | $1,620 | $1,550 |
| Ratio of earnings to fixed charges . . . . . | 3.3 | 3.2 | 2.2 | 1.7 | 1.5 | 1.7 |

(a) Excludes minority interest expenses and income or loss from equity investees.

(b) Excludes equity costs related to Allowance for Funds Used During Construction that are included in Other Income and Expenses in the Consolidated Statements of Operations.

## DESCRIPTION OF THE SENIOR NOTES

Duke Energy Carolinas will issue the Senior Notes in one or more series under its Senior Indenture dated as of September 1, 1998 (the "Senior Indenture"), as supplemented from time to time. Unless otherwise specified, the trustee under the Senior Indenture will be The Bank of New York. The Senior Indenture is an exhibit to the registration statement, of which this prospectus is a part.

The Senior Notes are unsecured and unsubordinated obligations and will rank equally with all of Duke Energy Carolinas' other unsecured and unsubordinated indebtedness. The First and Refunding Mortgage Bonds are effectively senior to the Senior Notes to the extent of the value of the properties securing them.

The following description of the Senior Notes is only a summary and is not intended to be comprehensive. For additional information you should refer to the Senior Indenture.

### General

The Senior Indenture does not limit the amount of Senior Notes that Duke Energy Carolinas may issue under it. Duke Energy Carolinas may issue Senior Notes from time to time under the Senior Indenture in one

or more series by entering into supplemental indentures or by its Board of Directors or a duly authorized committee authorizing the issuance.

The Senior Notes of a series need not be issued at the same time, bear interest at the same rate or mature on the same date.

The Senior Indenture does not protect the holders of Senior Notes if Duke Energy Carolinas engages in a highly leveraged transaction.

**Provisions Applicable to Particular Series**

The prospectus supplement for a particular series of Senior Notes being offered will disclose the specific terms related to the offering, including the price or prices at which the Senior Notes to be offered will be issued. Those terms may include some or all of the following:

- the title of the series;
- the total principal amount of the Senior Notes of the series;
- the date or dates on which principal is payable or the method for determining the date or dates, and any right that Duke Energy Carolinas has to change the date on which principal is payable;
- the interest rate or rates, if any, or the method for determining the rate or rates, and the date or dates from which interest will accrue;
- any interest payment dates and the regular record date for the interest payable on each interest payment date, if any;
- whether Duke Energy Carolinas may extend the interest payment periods and, if so, the terms of the extension;
- the place or places where payments will be made;
- whether Duke Energy Carolinas has the option to redeem the Senior Notes and, if so, the terms of its redemption option;
- any obligation that Duke Energy Carolinas has to redeem the Senior Notes through a sinking fund or to purchase the Senior Notes through a purchase fund or at the option of the holder;
- whether the provisions described under "Defeasance and Covenant Defeasance" will not apply to the Senior Notes;
- the currency in which payments will be made if other than U.S. dollars, and the manner of determining the equivalent of those amounts in U.S. dollars;
- if payments may be made, at Duke Energy Carolinas' election or at the holder's election, in a currency other than that in which the Senior Notes are stated to be payable, then the currency in which those payments may be made, the terms and conditions of the election and the manner of determining those amounts;
- the portion of the principal payable upon acceleration of maturity, if other than the entire principal;
- whether the Senior Notes will be issuable as global securities and, if so, the securities depositary;
- any changes in the events of default or covenants with respect to the Senior Notes;
- any index or formula used for determining principal, premium or interest;
- if the principal payable on the maturity date will not be determinable on one or more dates prior to the maturity date, the amount which will be deemed to be such principal amount or the manner of determining it;

- the date or dates after which holder may convert the Senior Notes into other securities of Duke Energy Carolinas and the terms for that conversion;
- the date or dates upon which the Senior Notes will be mandatorily converted into other securities of Duke Energy Carolinas and the terms for that conversion;
- the terms for the attachment to Senior Notes of rights to purchase or sell other securities of Duke Energy Carolinas; and
- any other terms.

Unless Duke Energy Carolinas states otherwise in the applicable prospectus supplement, Duke Energy Carolinas will issue the Senior Notes only in fully registered form without coupons, and there will be no service charge for any registration of transfer or exchange of the Senior Notes. Duke Energy Carolinas may, however, require payment to cover any tax or other governmental charge payable in connection with any transfer or exchange. Subject to the terms of the Senior Indenture and the limitations applicable to global securities, transfers and exchanges of the Senior Notes may be made at The Bank of New York, 101 Barclay Street, New York, New York 10286 or at any other office or agency maintained by Duke Energy Carolinas for such purpose.

The Senior Notes will be issuable in denominations of $1,000 and any integral multiples of $1,000, unless Duke Energy Carolinas states otherwise in the applicable prospectus supplement.

Duke Energy Carolinas may offer and sell the Senior Notes, including original issue discount Senior Notes, at a substantial discount below their principal amount. The applicable prospectus supplement will describe special United States federal income tax and any other considerations applicable to those securities. In addition, the applicable prospectus supplement may describe certain special United States federal income tax or other considerations, if any, applicable to any Senior Notes that are denominated in a currency other than U.S. dollars.

**Global Securities**

Duke Energy Carolinas may issue some or all of the Senior Notes as book-entry securities. Any such book-entry securities will be represented by one or more fully registered global securities. Duke Energy Carolinas will register each global security with or on behalf of a securities depositary identified in the applicable prospectus supplement. Each global security will be deposited with the securities depositary or its nominee or a custodian for the securities depositary.

As long as the securities depositary or its nominee is the registered holder of a global security representing Senior Notes, that person will be considered the sole owner and holder of the global security and the Senior Notes it represents for all purposes. Except in limited circumstances, owners of beneficial interests in a global security:

- may not have the global security or any Senior Notes it represents registered in their names;
- may not receive or be entitled to receive physical delivery of certificated Senior Notes in exchange for the global security; and
- will not be considered the owners or holders of the global security or any Senior Notes it represents for any purposes under the Senior Notes or the Senior Indenture.

Duke Energy Carolinas will make all payments of principal and any premium and interest on a global security to the securities depositary or its nominee as the holder of the global security. The laws of some jurisdictions require that certain purchasers of securities take physical delivery of securities in definitive form. These laws may impair the ability to transfer beneficial interests in a global security.

Ownership of beneficial interests in a global security will be limited to institutions having accounts with the securities depositary or its nominee, which are called "participants" in this discussion, and to persons that hold beneficial interests through participants. When a global security representing Senior Notes is issued, the

securities depositary will credit on its book entry, registration and transfer system the principal amounts of Senior Notes the global security represents to the accounts of its participants. Ownership of beneficial interests in a global security will be shown only on, and the transfer of those ownership interests will be effected only through, records maintained by:

- the securities depositary, with respect to participants' interests; and
- any participant, with respect to interests the participant holds on behalf of other persons.

Payments participants make to owners of beneficial interests held through those participants will be the responsibility of those participants. The securities depositary may from time to time adopt various policies and procedures governing payments, transfers, exchanges and other matters relating to beneficial interests in a global security. None of the following will have any responsibility or liability for any aspect of the securities depositary's or any participant's records relating to beneficial interests in a global security representing Senior Notes, for payments made on account of those beneficial interests or for maintaining, supervising or reviewing any records relating to those beneficial interests:

- Duke Energy Carolinas;
- the Senior Indenture Trustee; or
- an agent of either of them.

**Redemption**

Provisions relating to the redemption of Senior Notes will be set forth in the applicable prospectus supplement. Unless Duke Energy Carolinas states otherwise in the applicable prospectus supplement, Duke Energy Carolinas may redeem Senior Notes only upon notice mailed at least 30 but not more than 60 days before the date fixed for redemption. Unless Duke Energy Carolinas states otherwise in the applicable prospectus supplement, that notice may state that the redemption will be conditional upon the Senior Indenture Trustee, or the applicable paying agent, receiving sufficient funds to pay the principal, premium and interest on those Senior Notes on the date fixed for redemption and that if the Senior Indenture Trustee or the applicable paying agent does not receive those funds, the redemption notice will not apply, and Duke Energy Carolinas will not be required to redeem those Senior Notes.

Duke Energy Carolinas will not be required to:

- issue, register the transfer of, or exchange any Senior Notes of a series during the period beginning 15 days before the date the notice is mailed identifying the Senior Notes of that series that have been selected for redemption; or
- register the transfer of or exchange any Senior Note of that series selected for redemption except the unredeemed portion of a Senior Note being partially redeemed.

**Consolidation, Merger, Conveyance or Transfer**

The Senior Indenture provides that Duke Energy Carolinas may consolidate or merge with or into, or convey or transfer all or substantially all of its properties and assets to, another corporation or other entity. Any successor must, however, assume Duke Energy Carolinas' obligations under the Senior Indenture and the Senior Notes issued under it, and Duke Energy Carolinas must deliver to the Senior Indenture Trustee a statement by certain of its officers and an opinion of counsel that affirm compliance with all conditions in the Senior Indenture relating to the transaction. When those conditions are satisfied, the successor will succeed to and be substituted for Duke Energy Carolinas under the Senior Indenture, and Duke Energy Carolinas will be relieved of its obligations under the Senior Indenture and the Senior Notes.

**Modification; Waiver**

Duke Energy Carolinas may modify the Senior Indenture with the consent of the holders of a majority in principal amount of the outstanding Senior Notes of all series of Senior Notes that are affected by the

modification, voting as one class. The consent of the holder of each outstanding Senior Note affected is, however, required to:

- change the maturity date of the principal or any installment of principal or interest on that Senior Note;
- reduce the principal amount, the interest rate or any premium payable upon redemption on that Senior Note;
- reduce the amount of principal due and payable upon acceleration of maturity;
- change the currency of payment of principal, premium or interest on that Senior Note;
- impair the right to institute suit to enforce any such payment on or after the maturity date or redemption date;
- reduce the percentage in principal amount of Senior Notes of any series required to modify the Senior Indenture, waive compliance with certain restrictive provisions of the Senior Indenture or waive certain defaults; or
- with certain exceptions, modify the provisions of the Senior Indenture governing modifications of the Senior Indenture or governing waiver of covenants or past defaults.

In addition, Duke Energy Carolinas may modify the Senior Indenture for certain other purposes, without the consent of any holders of Senior Notes.

The holders of a majority in principal amount of the outstanding Senior Notes of any series may waive, for that series, Duke Energy Carolinas' compliance with certain restrictive provisions of the Senior Indenture, including the covenant described under "Negative Pledge." The holders of a majority in principal amount of the outstanding Senior Notes of all series under the Senior Indenture with respect to which a default has occurred and is continuing, voting as one class, may waive that default for all those series, except a default in the payment of principal or any premium or interest on any Senior Note or a default with respect to a covenant or provision which cannot be modified without the consent of the holder of each outstanding Senior Note of the series affected.

**Events of Default**

The following are events of default under the Senior Indenture with respect to any series of Senior Notes, unless Duke Energy Carolinas states otherwise in the applicable prospectus supplement:

- failure to pay principal of or any premium on any Senior Note of that series when due;
- failure to pay when due any interest on any Senior Note of that series that continues for 60 days; for this purpose, the date on which interest is due is the date on which Duke Energy Carolinas is required to make payment following any deferral of interest payments by it under the terms of Senior Notes that permit such deferrals;
- failure to make any sinking fund payment when required for any Senior Note of that series that continues for 60 days;
- failure to perform any covenant in the Senior Indenture (other than a covenant expressly included solely for the benefit of other series) that continues for 90 days after the Senior Indenture Trustee or the holders of at least 33% of the outstanding Senior Notes of that series give Duke Energy Carolinas written notice of the default; and
- certain bankruptcy, insolvency or reorganization events with respect to Duke Energy Carolinas.

In the case of the fourth event of default listed above, the Senior Indenture Trustee may extend the grace period. In addition, if holders of a particular series have given a notice of default, then holders of at least the same percentage of Senior Notes of that series, together with the Senior Indenture Trustee, may also extend the grace period. The grace period will be automatically extended if Duke Energy Carolinas has initiated and is diligently pursuing corrective action.

Duke Energy Carolinas may establish additional events of default for a particular series and, if established, any such events of default will be described in the applicable prospectus supplement.

If an event of default with respect to Senior Notes of a series occurs and is continuing, then the Senior Indenture Trustee or the holders of at least 33% in principal amount of the outstanding Senior Notes of that series may declare the principal amount of all Senior Notes of that series to be immediately due and payable. However, that event of default will be considered waived at any time after the declaration, but before a judgment for payment of the money due has been obtained if:

- Duke Energy Carolinas has paid or deposited with the Senior Indenture Trustee all overdue interest, the principal and any premium due otherwise than by the declaration and any interest on such amounts, and any interest on overdue interest, to the extent legally permitted, in each case with respect to that series, and all amounts due to the Senior Indenture Trustee; and
- all events of default with respect to that series, other than the nonpayment of the principal that became due solely by virtue of the declaration, have been cured or waived.

The Senior Indenture Trustee is under no obligation to exercise any of its rights or powers at the request or direction of any holders of Senior Notes unless those holders have offered the Senior Indenture Trustee security or indemnity against the costs, expenses and liabilities which it might incur as a result. The holders of a majority in principal amount of the outstanding Senior Notes of any series have, with certain exceptions, the right to direct the time, method and place of conducting any proceedings for any remedy available to the Senior Indenture Trustee or the exercise of any power of the Senior Indenture Trustee with respect to those Senior Notes. The Senior Indenture Trustee may withhold notice of any default, except a default in the payment of principal or interest, from the holders of any series if the Senior Indenture Trustee in good faith considers it in the interest of the holders to do so.

The holder of any Senior Note will have an absolute and unconditional right to receive payment of the principal, any premium and, within certain limitations, any interest on that Senior Note on its maturity date or redemption date and to enforce those payments.

Duke Energy Carolinas is required to furnish each year to the Senior Indenture Trustee a statement by certain of its officers to the effect that it is not in default under the Senior Indenture or, if there has been a default, specifying the default and its status.

**Payments; Paying Agent**

The paying agent will pay the principal of any Senior Notes only if those Senior Notes are surrendered to it. The paying agent will pay interest on Senior Notes issued as global securities by wire transfer to the holder of those global securities. Unless Duke Energy Carolinas states otherwise in the applicable prospectus supplement, the paying agent will pay interest on Senior Notes that are not in global form at its office or, at Duke Energy Carolinas' option:

- by wire transfer to an account at a banking institution in the United States that is designated in writing to the Senior Indenture Trustee at least 16 days prior to the date of payment by the person entitled to that interest; or
- by check mailed to the address of the person entitled to that interest as that address appears in the security register for those Senior Notes.

Unless Duke Energy Carolinas states otherwise in the applicable prospectus supplement, the Senior Indenture Trustee will act as paying agent for that series of Senior Notes, and the principal corporate trust office of the Senior Indenture Trustee will be the office through which the paying agent acts. Duke Energy Carolinas may, however, change or add paying agents or approve a change in the office through which a paying agent acts.

Any money that Duke Energy Carolinas has paid to a paying agent for principal or interest on any Senior Notes which remains unclaimed at the end of two years after that principal or interest has become due will be

repaid to Duke Energy Carolinas at its request. After repayment to Duke Energy Carolinas, holders should look only to Duke Energy Carolinas for those payments.

**Negative Pledge**

While any of the Senior Notes remain outstanding, Duke Energy Carolinas will not create, or permit to be created or to exist, any mortgage, lien, pledge, security interest or other encumbrance upon any of its property, whether owned on or acquired after the date of the Senior Indenture, to secure any indebtedness for borrowed money of Duke Energy Carolinas, unless the Senior Notes then outstanding are equally and ratably secured for so long as any such indebtedness is so secured.

The foregoing restriction does not apply with respect to, among other things:

- purchase money mortgages, or other purchase money liens, pledges, security interests or encumbrances upon property that Duke Energy Carolinas acquired after the date of the Senior Indenture;
- mortgages, liens, pledges, security interests or other encumbrances existing on any property at the time Duke Energy Carolinas acquired it, including those which exist on any property of an entity with which Duke Energy Carolinas is consolidated or merged or which transfers or leases all or substantially all of its properties to Duke Energy Carolinas;
- mortgages, liens, pledges, security interests or other encumbrances upon any property of Duke Energy Carolinas that existed on the date of the initial issuance of the Senior Notes;
- pledges or deposits to secure performance in connection with bids, tenders, contracts (other than contracts for the payment of money) or leases to which Duke Energy Carolinas is a party;
- liens created by or resulting from any litigation or proceeding which at the time is being contested in good faith by appropriate proceedings;
- liens incurred in connection with the issuance of bankers' acceptances and lines of credit, bankers' liens or rights of offset and any security given in the ordinary course of business to banks or others to secure any indebtedness payable on demand or maturing within 12 months of the date that such indebtedness is originally incurred;
- liens incurred in connection with repurchase, swap or other similar agreements (including commodity price, currency exchange and interest rate protection agreements);
- liens securing industrial revenue or pollution control bonds;
- liens, pledges, security interests or other encumbrances on any property arising in connection with any defeasance, covenant defeasance or in-substance defeasance of indebtedness of Duke Energy Carolinas;
- liens created in connection with, and created to secure, a non-recourse obligation;
- Bonds issued or to be issued from time to time under Duke Energy Carolinas' First and Refunding Mortgage, and the "permitted liens" specified in Duke Energy Carolinas' First and Refunding Mortgage;
- indebtedness which Duke Energy Carolinas may issue in connection with its consolidation or merger with or into any other entity, which may be its affiliate, in exchange for or otherwise in substitution for secured indebtedness of that entity, or Third Party Debt, which by its terms (1) is secured by a mortgage on all or a portion of the property of that entity, (2) prohibits that entity from incurring secured indebtedness, unless the Third Party Debt is secured equally and ratably with such secured indebtedness or (3) prohibits that entity from incurring secured indebtedness;
- indebtedness of any entity which Duke Energy Carolinas is required to assume in connection with a consolidation or merger of that entity, with respect to which any property of Duke Energy Carolinas is subjected to a mortgage, lien, pledge, security interest or other encumbrance;

- mortgages, liens, pledges, security interests or other encumbrances upon any property that Duke Energy Carolinas acquired, constructed, developed or improved after the date of the Senior Indenture which are created before, at the time of, or within 18 months after such acquisition — or in the case of property constructed, developed or improved, after the completion of the construction, development or improvement and commencement of full commercial operation of that property, whichever is later — to secure or provide for the payment of any part of its purchase price or cost; provided that, in the case of such construction, development or improvement, the mortgages, liens, pledges, security interests or other encumbrances shall not apply to any property that Duke Energy Carolinas owns other than real property that is unimproved up to that time; and

- the replacement, extension or renewal of any mortgage, lien, pledge, security interest or other encumbrance described above; or the replacement, extension or renewal (not exceeding the principal amount of indebtedness so secured together with any premium, interest, fee or expense payable in connection with any such replacement, extension or renewal) of the indebtedness so secured; provided that such replacement, extension or renewal is limited to all or a part of the same property that secured the mortgage, lien, pledge, security interest or other encumbrance replaced, extended or renewed, plus improvements on it or additions or accessions to it.

In addition, Duke Energy Carolinas may create or assume any other mortgage, lien, pledge, security interest or other encumbrance not excepted in the Senior Indenture without Duke Energy Carolinas equally and ratably securing the Senior Notes, if immediately after that creation or assumption, the principal amount of indebtedness for borrowed money of Duke Energy Carolinas that all such other mortgages, liens, pledges, security interests and other encumbrances secure does not exceed an amount equal to 10% of Duke Energy Carolinas' common stockholders' equity as shown on its consolidated balance sheet for the accounting period occurring immediately before the creation or assumption of that mortgage, lien, pledge, security interest or other encumbrance.

**Defeasance and Covenant Defeasance**

The Senior Indenture provides that Duke Energy Carolinas may be:

- discharged from its obligations, with certain limited exceptions, with respect to any series of Senior Notes, as described in the Senior Indenture, such a discharge being called a "defeasance" in this prospectus; and

- released from its obligations under certain restrictive covenants especially established with respect to any series of Senior Notes, including the covenant described under "Negative Pledge," as described in the Senior Indenture, such a release being called a "covenant defeasance" in this prospectus.

Duke Energy Carolinas must satisfy certain conditions to effect a defeasance or covenant defeasance. Those conditions include the irrevocable deposit with the Senior Indenture Trustee, in trust, of money or government obligations which through their scheduled payments of principal and interest would provide sufficient money to pay the principal and any premium and interest on those Senior Notes on the maturity dates of those payments or upon redemption.

Following a defeasance, payment of the Senior Notes defeased may not be accelerated because of an event of default under the Senior Indenture. Following a covenant defeasance, the payment of Senior Notes may not be accelerated by reference to the covenants from which Duke Energy Carolinas has been released. A defeasance may occur after a covenant defeasance.

Under current United States federal income tax laws, a defeasance would be treated as an exchange of the relevant Senior Notes in which holders of those Senior Notes might recognize gain or loss. In addition, the amount, timing and character of amounts that holders would thereafter be required to include in income might be different from that which would be includible in the absence of that defeasance. Duke Energy Carolinas urges investors to consult their own tax advisors as to the specific consequences of a defeasance, including the applicability and effect of tax laws other than United States federal income tax laws.

Under current United States federal income tax law, unless accompanied by other changes in the terms of the Senior Notes, a covenant defeasance should not be treated as a taxable exchange.

### Concerning the Senior Indenture Trustee

The Bank of New York is the Senior Indenture Trustee and is also the trustee under Duke Energy Carolinas' Subordinated Indenture and its affiliate, The Bank of New York Trust Company, N.A., is the trustee under Duke Energy Carolinas' First and Refunding Mortgage. Duke Energy Carolinas and certain of its affiliates have banking relationships with The Bank of New York. The Bank of New York or its affiliate also serves as trustee or agent under other indentures and agreements pursuant to which securities of Duke Energy Carolinas and of certain of its affiliates are outstanding.

The Senior Indenture Trustee will perform only those duties that are specifically set forth in the Senior Indenture unless an event of default under the Senior Indenture occurs and is continuing. In case an event of default occurs and is continuing, the Senior Indenture Trustee will exercise the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs.

## DESCRIPTION OF THE SUBORDINATED NOTES

Duke Energy Carolinas will issue the Subordinated Notes in one or more series under its Subordinated Indenture dated as of December 1, 1997, as supplemented from time to time. Unless otherwise specified, the trustee under the Subordinated Indenture will be The Bank of New York. The Subordinated Indenture is an exhibit to the registration statement, of which this prospectus is a part.

The Subordinated Notes are unsecured obligations of Duke Energy Carolinas and are junior in right of payment to "Senior Indebtedness" of Duke Energy Carolinas. You will find a description of the subordination provisions of the Subordinated Notes, including a description of Senior Indebtedness of Duke Energy Carolinas, under "Subordination."

The following description of the Subordinated Notes is only a summary and is not intended to be comprehensive. For additional information you should refer to the Subordinated Indenture.

### General

The Subordinated Indenture does not limit the amount of Subordinated Notes that Duke Energy Carolinas may issue under it. Duke Energy Carolinas may issue Subordinated Notes from time to time under the Subordinated Indenture in one or more series by entering into supplemental indentures or by its Board of Directors or a duly authorized committee authorizing the issuance.

The Subordinated Notes of a series need not be issued at the same time, bear interest at the same rate or mature on the same date.

The Subordinated Indenture does not protect the holders of Subordinated Notes if Duke Energy Carolinas engages in a highly leveraged transaction.

### Provisions Applicable to Particular Series

The prospectus supplement for a particular series of Subordinated Notes being offered will disclose the specific terms related to the offering, including the price or prices at which the Subordinated Notes to be offered will be issued. Those terms may include some or all of the following:

- the title of the series;
- the total principal amount of the Subordinated Notes of the series;
- the date or dates on which principal is payable or the method for determining the date or dates, and any right that Duke Energy Carolinas has to change the date on which principal is payable;

- the interest rate or rates, if any, or the method for determining the rate or rates, and the date or dates from which interest will accrue;
- any interest payment dates and the regular record date for the interest payable on each interest payment date, if any;
- whether Duke Energy Carolinas may extend the interest payment periods and, if so, the terms of the extension;
- the place or places where payments will be made;
- whether Duke Energy Carolinas has the option to redeem the Subordinated Notes and, if so, the terms of its redemption option;
- any obligation that Duke Energy Carolinas has to redeem the Subordinated Notes through a sinking fund or to purchase the Subordinated Notes through a purchase fund or at the option of the holder;
- whether the provisions described under "Defeasance and Covenant Defeasance" will not apply to the Subordinated Notes;
- the currency in which payments will be made if other than U.S. dollars, and the manner of determining the equivalent of those amounts in U.S. dollars;
- if payments may be made, at Duke Energy Carolinas' election or at the holder's election, in a currency other than that in which the Subordinated Notes are stated to be payable, then the currency in which those payments may be made, the terms and conditions of the election and the manner of determining those amounts;
- the portion of the principal payable upon acceleration of maturity, if other than the entire principal;
- whether the Subordinated Notes will be issuable as global securities and, if so, the securities depositary;
- any changes in the events of default or covenants with respect to the Subordinated Notes;
- any index or formula used for determining principal, premium or interest;
- if the principal payable on the maturity date will not be determinable on one or more dates prior to the maturity date, the amount which will be deemed to be such principal amount or the manner of determining it;
- the subordination of the Subordinated Notes to any other of Duke Energy Carolinas' indebtedness, including other series of Subordinated Notes;
- the date or dates after which holder may convert the Subordinated Notes into other securities of Duke Energy Carolinas and the terms for that conversion;
- the date or dates upon which the Subordinated Notes will be mandatorily converted into other securities of Duke Energy Carolinas and the terms for that conversion;
- the terms for the attachment to Subordinated Notes of rights to purchase or sell other securities of Duke Energy Carolinas; and
- any other terms.

Unless Duke Energy Carolinas states otherwise in the applicable prospectus supplement, Duke Energy Carolinas will issue the Subordinated Notes only in fully registered form without coupons, and there will be no service charge for any registration of transfer or exchange of the Subordinated Notes. Duke Energy Carolinas may, however, require payment to cover any tax or other governmental charge payable in connection with any transfer or exchange. Subject to the terms of the Subordinated Indenture and the limitations applicable to global securities, transfers and exchanges of the Subordinated Notes may be made The Bank of New York, 101 Barclay Street, New York, New York 10286 or at any other office maintained by Duke Energy Carolinas for such purpose.

The Subordinated Notes will be issuable in denominations of $1,000 and any integral multiples of $1,000, unless Duke Energy Carolinas states otherwise in the applicable prospectus supplement.

Duke Energy Carolinas may offer and sell the Subordinated Notes, including original issue discount Subordinated Notes, at a substantial discount below their principal amount. The applicable prospectus supplement will describe special United States federal income tax and any other considerations applicable to those securities. In addition, the applicable prospectus supplement may describe certain special United States federal income tax or other considerations, if any, applicable to any Subordinated Notes that are denominated in a currency other than U.S. dollars.

**Global Securities**

Duke Energy Carolinas may issue some or all of the Subordinated Notes as book-entry securities. Any such book-entry securities will be represented by one or more fully registered global certificates. Duke Energy Carolinas will register each global security with or on behalf of a securities depositary identified in the applicable prospectus supplement. Each global security will be deposited with the securities depositary or its nominee or a custodian for the securities depositary.

As long as the securities depositary or its nominee is the registered holder of a global security representing Subordinated Notes, that person will be considered the sole owner and holder of the global security and the Subordinated Notes it represents for all purposes. Except in limited circumstances, owners of beneficial interests in a global security:

- may not have the global security or any Subordinated Notes it represents registered in their names;
- may not receive or be entitled to receive physical delivery of certificated Subordinated Notes in exchange for the global security; and
- will not be considered the owners or holders of the global security or any Subordinated Notes it represents for any purposes under the Subordinated Notes or the Subordinated Indenture.

Duke Energy Carolinas will make all payments of principal and any premium and interest on a global security to the securities depositary or its nominee as the holder of the global security. The laws of some jurisdictions require that certain purchasers of securities take physical delivery of securities in definitive form. These laws may impair the ability to transfer beneficial interests in a global security.

Ownership of beneficial interests in a global security will be limited to institutions having accounts with the securities depositary or its nominee, which are called "participants" in this discussion, and to persons that hold beneficial interests through participants. When a global security representing Subordinated Notes is issued, the securities depositary will credit on its book-entry, registration and transfer system the principal amounts of Subordinated Notes the global security represents to the accounts of its participants. Ownership of beneficial interests in a global security will be shown only on, and the transfer of those ownership interests will be effected only through, records maintained by:

- the securities depositary, with respect to participants' interests; and
- any participant, with respect to interests the participant holds on behalf of other persons.

Payments participants make to owners of beneficial interests held through those participants will be the responsibility of those participants. The securities depositary may from time to time adopt various policies and procedures governing payments, transfers, exchanges and other matters relating to beneficial interests in a global security. None of the following will have any responsibility or liability for any aspect of the securities depositary's or any participant's records relating to beneficial interests in a global security representing Subordinated Notes, for payments made on account of those beneficial interests or for maintaining, supervising or reviewing any records relating to those beneficial interests:

- Duke Energy Carolinas;
- the Subordinated Indenture Trustee; or
- any agent of either of them.

**Redemption**

Provisions relating to the redemption of Subordinated Notes will be set forth in the applicable prospectus supplement. Unless Duke Energy Carolinas states otherwise in the applicable prospectus supplement, Duke Energy Carolinas may redeem Subordinated Notes only upon notice mailed at least 30, but not more than 60 days before the date fixed for redemption.

Duke Energy Carolinas will not be required to:

- issue, register the transfer of, or exchange any Subordinated Notes of a series during the period beginning 15 days before the date the notice is mailed identifying the Subordinated Notes of that series that have been selected for redemption; or
- register the transfer of or exchange any Subordinated Note of that series selected for redemption except the unredeemed portion of a Subordinated Note being partially redeemed.

**Consolidation, Merger, Conveyance or Transfer**

The Subordinated Indenture provides that Duke Energy Carolinas may consolidate or merge with or into, or convey or transfer all or substantially all of its properties and assets to, another corporation or other entity. Any successor must, however, assume Duke Energy Carolinas' obligations under the Subordinated Indenture and the Subordinated Notes and Duke Energy Carolinas must deliver to the Subordinated Indenture Trustee a statement by certain of its officers and an opinion of counsel that affirm compliance with all conditions in the Subordinated Indenture relating to the transaction. When those conditions are satisfied, the successor will succeed to and be substituted for Duke Energy Carolinas under the Subordinated Indenture, and Duke Energy Carolinas will be relieved of its obligations under the Subordinated Indenture and any Subordinated Notes.

**Modification; Waiver**

Duke Energy Carolinas may modify the Subordinated Indenture with the consent of the holders of a majority in principal amount of the outstanding Subordinated Notes of all series that are affected by the modification, voting as one class. The consent of the holder of each outstanding Subordinated Note affected is, however, required to:

- change the maturity date of the principal or any installment of principal or interest on that Subordinated Note;
- reduce the principal amount, the interest rate or any premium payable upon redemption on that Subordinated Note;
- reduce the amount of principal due and payable upon acceleration of maturity;
- change the currency of payment of principal, premium or interest on that Subordinated Note;
- impair the right to institute suit to enforce any such payment on or after the maturity date or redemption date;
- reduce the percentage in principal amount of Subordinated Notes of any series required to modify the Subordinated Indenture, waive compliance with certain restrictive provisions of the Subordinated Indenture or
- waive certain defaults; or
- with certain exceptions, modify the provisions of the Subordinated Indenture governing modifications of the Subordinated Indenture or governing waiver of covenants or past defaults.

In addition, Duke Energy Carolinas may modify the Subordinated Indenture for certain other purposes, without the consent of any holders of Subordinated Notes.

The holders of a majority in principal amount of the outstanding Subordinated Notes of any series may waive, for that series, Duke Energy Carolinas' compliance with certain restrictive provisions of the

Subordinated Indenture. The holders of a majority in principal amount of the outstanding Subordinated Notes of all series under the Subordinated Indenture with respect to which a default has occurred and is continuing, voting as one class, may waive that default for all those series, except a default in the payment of principal or any premium or interest on any Subordinated Note or a default with respect to a covenant or provision which cannot be modified without the consent of the holder of each outstanding Subordinated Note of the series affected.

Duke Energy Carolinas may not amend the Subordinated Indenture to change the subordination of any outstanding Subordinated Notes without the consent of each holder of Senior Indebtedness that the amendment would adversely affect.

**Events of Default**

The following are events of default under the Subordinated Indenture with respect to any series of Subordinated Notes, unless Duke Energy Carolinas states otherwise in the applicable prospectus supplement:

- failure to pay principal of or any premium on any Subordinated Note of that series when due;
- failure to pay when due any interest on any Subordinated Note of that series that continues for 60 days; for this purpose, the date on which interest is due is the date on which Duke Energy Carolinas is required to make payment following any deferral of interest payments by it under the terms of Subordinated Notes that permit such deferrals;
- failure to make any sinking fund payment when required for any Subordinated Note of that series that continues for 60 days;
- failure to perform any covenant in the Subordinated Indenture (other than a covenant expressly included solely for the benefit of other series) that continues for 90 days after the Subordinated Indenture Trustee or the holders of at least 33% of the outstanding Subordinated Notes of that series give Duke Energy Carolinas written notice of the default; and
- certain bankruptcy, insolvency or reorganization events with respect to Duke Energy Carolinas.

In the case of the fourth event of default listed above, the Subordinated Indenture Trustee may extend the grace period. In addition, if holders of a particular series have given a notice of default, then holders of at least the same percentage of Subordinated Notes of that series, together with the Subordinated Indenture Trustee, may also extend the grace period. The grace period will be automatically extended if Duke Energy Carolinas has initiated and is diligently pursuing corrective action.

Duke Energy Carolinas may establish additional events of default for a particular series and, if established, any such events of default will be described in the applicable prospectus supplement.

If an event of default with respect to Subordinated Notes of a series occurs and is continuing, then the Subordinated Indenture Trustee or the holders of at least 33% in principal amount of the outstanding Subordinated Notes of that series may declare the principal amount of all Subordinated Notes of that series to be immediately due and payable. However, that event of default will be considered waived at any time after the declaration but before a judgment for payment of the money due has been obtained if:

- Duke Energy Carolinas has paid or deposited with the Subordinated Indenture Trustee all overdue interest, the principal and any premium due otherwise than by the declaration and any interest on such amounts, and any interest on overdue interest, to the extent legally permitted, in each case with respect to that series, and all amounts due to the Subordinated Indenture Trustee; and
- all events of default with respect to that series, other than the nonpayment of the principal that became due solely by virtue of the declaration, have been cured or waived.

The Subordinated Indenture Trustee is under no obligation to exercise any of its rights or powers at the request or direction of any holders of Subordinated Notes unless those holders have offered the Subordinated Indenture Trustee security or indemnity against the costs, expenses and liabilities that it might incur as a

result. The holders of a majority in principal amount of the outstanding Subordinated Notes of any series have, with certain exceptions, the right to direct the time, method and place of conducting any proceedings for any remedy available to the Subordinated Indenture Trustee or the exercise of any power of the Subordinated Indenture Trustee with respect to those Subordinated Notes. The Subordinated Indenture Trustee may withhold notice of any default, except a default in the payment of principal or interest, from the holders of any series if the Subordinated Indenture Trustee in good faith considers it in the interest of the holders to do so.

The holder of any Subordinated Note will have an absolute and unconditional right to receive payment of the principal, any premium and, within certain limitations, any interest on that Subordinated Note on its maturity date or redemption date and to enforce those payments.

Duke Energy Carolinas is required to furnish each year to the Subordinated Indenture Trustee a statement by certain of its officers to the effect that it is not in default under the Subordinated Indenture or, if there has been a default, specifying the default and its status.

**Payments; Paying Agent**

The paying agent will pay the principal of any Subordinated Notes only if those Subordinated Notes are surrendered to it. The paying agent will pay interest on Subordinated Notes issued as global securities by wire transfer to the holder of those global securities. Unless Duke Energy Carolinas states otherwise in the applicable prospectus supplement, the paying agent will pay interest on Subordinated Notes that are not in global form at its office or, at Duke Energy Carolinas' option:

- by wire transfer to an account at a banking institution in the United States that is designated in writing to the Subordinated Indenture Trustee at least 16 days prior to the date of payment by the person entitled to that interest; or
- by check mailed to the address of the person entitled to that interest as that address appears in the security register for those Subordinated Notes.

Unless Duke Energy Carolinas states otherwise in the applicable prospectus supplement, the Subordinated Indenture Trustee will act as paying agent for that series of Subordinated Notes, and the principal corporate trust office of the Subordinated Indenture Trustee will be the office through which the paying agent acts. Duke Energy Carolinas may, however, change or add paying agents or approve a change in the office through which a paying agent acts.

Any money that Duke Energy Carolinas has paid to a paying agent for principal or interest on any Subordinated Notes that remains unclaimed at the end of two years after that principal or interest has become due will be repaid to Duke Energy Carolinas at its request. After repayment to Duke Energy Carolinas, holders should look only to Duke Energy Carolinas for those payments.

**Defeasance and Covenant Defeasance**

The Subordinated Indenture provides that Duke Energy Carolinas may be:

- discharged from its obligations, with certain limited exceptions, with respect to any series of Subordinated Notes, as described in the Subordinated Indenture, such a discharge being called a "defeasance" in this prospectus; and
- released from its obligations under certain restrictive covenants especially established with respect to a series of Subordinated Notes, as described in the Subordinated Indenture, such a release being called a "covenant defeasance" in this prospectus.

Duke Energy Carolinas must satisfy certain conditions to effect a defeasance or covenant defeasance. Those conditions include the irrevocable deposit with the Subordinated Indenture Trustee, in trust, of money or government obligations which through their scheduled payments of principal and interest would provide sufficient money to pay the principal and any premium and interest on those Subordinated Notes on the

maturity dates of those payments or upon redemption. Following a defeasance, payment of the Subordinated Notes defeased may not be accelerated because of an event of default under the Subordinated Indenture.

Under current United States federal income tax laws, a defeasance would be treated as an exchange of the relevant Subordinated Notes in which holders of those Subordinated Notes might recognize gain or loss. In addition, the amount, timing and character of amounts that holders would thereafter be required to include in income might be different from that which would be includible in the absence of that defeasance. Duke Energy Carolinas urges investors to consult their own tax advisors as to the specific consequences of a defeasance, including the applicability and effect of tax laws other than United States federal income tax laws.

**Subordination**

Each series of Subordinated Notes will be subordinate and junior in right of payment, to the extent set forth in the Subordinated Indenture, to all Senior Indebtedness as defined below. If:

- Duke Energy Carolinas makes a payment or distribution of any of its assets to creditors upon its dissolution, winding-up, liquidation or reorganization, whether in bankruptcy, insolvency or otherwise;
- a default beyond any grace period has occurred and is continuing with respect to the payment of principal, interest or any other monetary amounts due and payable on any Senior Indebtedness; or
- the maturity of any Senior Indebtedness has been accelerated because of a default on that Senior Indebtedness,

then the holders of Senior Indebtedness generally will have the right to receive payment, in the case of the first instance, of all amounts due or to become due upon that Senior Indebtedness, and, in the case of the second and third instances, of all amounts due on the Senior Indebtedness, or Duke Energy Carolinas will make provision for those payments, before the holders of any Subordinated Notes have the right to receive any payments of principal or interest on their Subordinated Notes.

*"Senior Indebtedness"* means, with respect to any series of Subordinated Notes, the principal, premium, interest and any other payment in respect of any of the following:

- all of Duke Energy Carolinas' indebtedness that is evidenced by notes, debentures, bonds or other securities Duke Energy Carolinas sells for money or other obligations for money borrowed;
- all indebtedness of others of the kinds described in the preceding category which Duke Energy Carolinas has assumed or guaranteed or which Duke Energy Carolinas has in effect guaranteed through an agreement to purchase, contingent or otherwise; and
- all renewals, extensions or refundings of indebtedness of the kinds described in either of the preceding two categories.

Any such indebtedness, renewal, extension or refunding, however, will not be Senior Indebtedness if the instrument creating or evidencing it or the assumption or guarantee of it provides that it is not superior in right of payment to or is equal in right of payment with those Subordinated Notes. Senior Indebtedness will be entitled to the benefits of the subordination provisions in the Subordinated Indenture irrespective of the amendment, modification or waiver of any term of the Senior Indebtedness.

Future series of Subordinated Notes that are not Subordinated Notes may rank senior to outstanding series of Subordinated Notes and would constitute Senior Indebtedness with respect to those series.

The Subordinated Indenture does not limit the amount of Senior Indebtedness that Duke Energy Carolinas may issue. As of March 31, 2007, Duke Energy Carolinas' Senior Indebtedness totaled approximately $5.3 billion.

**Concerning the Subordinated Indenture Trustee**

The Bank of New York is the Subordinated Indenture Trustee and is also the Senior Indenture Trustee, and its affiliate, The Bank of New York Trust Company, N.A., is the trustee under Duke Energy Carolinas'

First and Refunding Mortgage. Duke Energy Carolinas and certain of its affiliates have banking relationships with The Bank of New York. The Bank of New York or its affiliate also serves as trustee or agent under other indentures and agreements pursuant to which securities of Duke Energy Carolinas and of certain of its affiliates are outstanding.

The Subordinated Indenture Trustee will perform only those duties that are specifically set forth in the Subordinated Indenture unless an event of default under the Subordinated Indenture occurs and is continuing. In case an event of default occurs and is continuing, the Subordinated Indenture Trustee will exercise the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs.

## DESCRIPTION OF THE FIRST AND REFUNDING MORTGAGE BONDS

Duke Energy Carolinas will issue the First and Refunding Mortgage Bonds in one or more series under its First and Refunding Mortgage, dated as of December 1, 1927, to The Bank of New York Trust Company, N.A.,, as Trustee, as supplemented and amended from time to time. The First and Refunding Mortgage is sometimes called the "Mortgage" and the First and Refunding Mortgage Bonds are sometimes called the "Bonds" in this prospectus. The trustee under the Mortgage is sometimes called the "Bond Trustee" in this prospectus. The Mortgage is an exhibit to the registration statement, of which this prospectus is a part.

The following description of the Bonds is only a summary and is not intended to be comprehensive. For additional information you should refer to the Mortgage.

### General

The amount of Bonds that Duke Energy Carolinas may issue under the Mortgage is unlimited. Duke Energy Carolinas' Board of Directors will determine the terms of each series of Bonds, including denominations, maturity, interest rate and payment terms and whether the series will have redemption or sinking fund provisions or will be convertible into other securities of Duke Energy Carolinas. The Bonds may also be issued as part of the medium term note series established under the Mortgage.

Unless Duke Energy Carolinas states otherwise in the applicable prospectus supplement, Duke Energy Carolinas will issue the Bonds only in fully registered form without coupons and there will be no service charge for any transfers and exchanges of the Bonds. Duke Energy Carolinas may, however, require payment to cover any stamp tax or other governmental charge payable in connection with any transfer or exchange. Transfers and exchanges of the Bonds may be made at The Bank of New York Trust Company, N.A., 101 Barclay Street, New York, New York 10286 or at any other office maintained by Duke Energy Carolinas for such purpose.

The Bonds will be issuable in denominations of $1,000 and multiples of $1,000, unless Duke Energy Carolinas states otherwise in the applicable prospectus supplement. The Bonds will be exchangeable for an equivalent principal amount of Bonds of other authorized denominations of the same series.

The prospectus supplement for a particular series of Bonds will describe the maturity, interest rate and payment terms of those Bonds and any relevant redemption or sinking fund provisions.

### Security

The Mortgage creates a continuing lien to secure the payment of principal and interest on the Bonds. All the Bonds are equally and ratably secured without preference, priority or distinction. With some exceptions, the lien of the Mortgage covers substantially all of Duke Energy Carolinas' properties, real, personal and mixed, and Duke Energy Carolinas' franchises, including properties acquired after the date of the Mortgage and the date hereof. Those exceptions include cash, accounts receivable, inventories of materials and supplies, merchandise held for sale, securities that Duke Energy Carolinas holds, after-acquired property not useful in Duke Energy Carolinas' electric business, after-acquired franchises and after-acquired non-electric properties.

We have not made any appraisal of the value of the properties subject to the lien. The value of the properties in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. In the event of liquidation, if the proceeds were not sufficient to repay amounts under

all of the Bonds then outstanding, then holders of the Bonds, to the extent not repaid from the proceeds of the sale of the collateral, would only have an unsecured claim against our remaining assets. As of June 30, 2007, we had total senior secured indebtedness of approximately $1.6 billion and total senior unsecured indebtedness of approximately $3.8 billion.

The lien of the Mortgage is subject to certain permitted liens and to liens that exist upon properties that Duke Energy Carolinas acquired after it entered into the Mortgage to the extent of the amounts of prior lien bonds secured by those properties (not, however, exceeding 75% of the cost or value of those properties) and additions to those properties. "Prior lien bonds" are bonds or other indebtedness that are secured at the time of acquisition by a lien upon property that Duke Energy Carolinas acquires after the date of the Mortgage that becomes subject to the lien of the Mortgage.

**Issuance of Additional Bonds**

If Duke Energy Carolinas satisfies the conditions in the Mortgage, the Bond Trustee may authenticate and deliver additional Bonds in an aggregate principal amount not exceeding:

- the amount of cash that Duke Energy Carolinas has deposited with the Bond Trustee for that purpose;
- the amount of previously authenticated and delivered Bonds or refundable prior lien bonds that have been or are to be retired which, with some exceptions, Duke Energy Carolinas has deposited with the Bond Trustee for that purpose; or
- 66⅔% of the aggregate of the net amounts of additional property (electric) certified to the Bond Trustee after February 18, 1949.

The Bond Trustee may not authenticate and deliver any additional Bonds under the Mortgage, other than some types of refunding Bonds, unless Duke Energy Carolinas' available net earnings for twelve consecutive calendar months within the immediately preceding fifteen calendar months have been at least twice the amount of the annual interest charges on all Bonds outstanding under the Mortgage, including the Bonds proposed to be issued, and on all outstanding prior lien bonds that the Bond Trustee does not hold under the Mortgage.

Duke Energy Carolinas may not apply to the Bond Trustee to authenticate and deliver any Bonds (1) in an aggregate principal amount exceeding $26,000,000 on the basis of additional property (electric) that Duke Energy Carolinas acquired or constructed prior to January 1, 1949 or (2) on the basis of Bonds or prior lien bonds paid, purchased or redeemed prior to February 1, 1949. Duke Energy Carolinas may not certify any additional property (electric) which is subject to the lien of any prior lien bonds for the purpose of establishing those prior lien bonds as refundable if the aggregate principal amount of those prior lien bonds exceeds 66⅔% of the net amount of the additional property that is subject to the lien of such prior lien bonds.

**Release Provisions**

The Mortgage permits Duke Energy Carolinas to dispose of certain property and to take other actions without the Bond Trustee releasing that property. The Mortgage also permits the release of mortgaged property if Duke Energy Carolinas deposits cash or other consideration equal to the value of the mortgaged property to be released. In certain events and within certain limitations, the Bond Trustee is required to pay out cash that the Bond Trustee receives — other than for the Replacement Fund or as the basis for issuing Bonds — upon Duke Energy Carolinas' application.

Duke Energy Carolinas may withdraw cash that it deposited with the Bond Trustee as the basis for issuing Bonds in an amount equal to the principal amount of any Bonds that it is entitled to have authenticated and delivered on the basis of additional property (electric), on the basis of Bonds previously authenticated and delivered or on the basis of refundable prior lien bonds.

**Replacement Fund**

The Mortgage requires Duke Energy Carolinas to deposit with the Bond Trustee annually, for the Replacement Fund established under the Mortgage, the sum of the "replacement requirements" for all years

beginning with 1949 and ending with the last calendar year preceding the deposit date, less certain deductions. Those deductions are (1) the aggregate original cost of all fixed property (electric) retired during that time period, not exceeding the aggregate of the gross amounts of additional property (electric) that Duke Energy Carolinas acquired or constructed during the same period, and (2) the aggregate amount of cash that Duke Energy Carolinas deposited with the Bond Trustee up to that time, or that Duke Energy Carolinas would have been required to deposit except for permitted reductions, under the Replacement Fund.

The "replacement requirement" for any year is 2½% of the average "amount of depreciable fixed property" (electric) owned by Duke Energy Carolinas at the beginning and end of that year, not exceeding, however, the amount Duke Energy Carolinas is permitted to charge as an operating expense for depreciation or retirement by any governmental authority, or the amount deductible as depreciation or similar expense for federal income tax purposes. The "amount of depreciable fixed property" (electric) is the amount by which the sum of $192,913,385 plus the aggregate gross amount of all depreciable additional property (electric) that Duke Energy Carolinas acquired or constructed from January 1, 1949 to the date as of which such amount is determined exceeds the original cost of all of Duke Energy Carolinas' depreciable fixed property (electric) retired during that period or released from the lien of the Mortgage.

Duke Energy Carolinas may reduce the amount of cash at any time required to be deposited in the Replacement Fund and may withdraw any cash that it previously deposited that is held in the Replacement Fund:

- in an amount equal to 150% of the principal amount of Bonds previously authenticated and delivered under the Mortgage, or refundable prior lien bonds, deposited with the Bond Trustee and on the basis of which Duke Energy Carolinas would otherwise have been entitled to have additional Bonds authenticated and delivered; and

- in an amount equal to 150% of the principal amount of Bonds which Duke Energy Carolinas would otherwise be entitled to have authenticated and delivered on the basis of additional property (electric).

Upon Duke Energy Carolinas' application, the Bond Trustee will apply cash that Duke Energy Carolinas deposited in the Replacement Fund and has not previously withdrawn to the payment, purchase or redemption of Bonds issued under the Mortgage or to the purchase of refundable prior lien bonds.

Duke Energy Carolinas has never deposited any cash with the Bond Trustee for the Replacement Fund. If Duke Energy Carolinas deposits any cash in the future, it has agreed not to apply that cash to the redemption of the Bonds as long as any Bonds then outstanding remain outstanding.

**Amendments of the Mortgage**

Duke Energy Carolinas may amend the Mortgage with the consent of the holders of 66⅔% in principal amount of the Bonds, except that no such amendment may:

- affect the terms of payment of principal at maturity or of interest or premium on any Bond;

- affect the rights of Bondholders to sue to enforce any such payment at maturity; or

- reduce the percentage of Bonds required to consent to an amendment.

No amendment may affect the rights under the Mortgage of the holders of less than all of the series of Bonds outstanding unless the holders of 66⅔% in principal amount of the Bonds of each series affected consent to the amendment.

The covenants included in the supplemental indenture for any series of Bonds to be issued will be solely for the benefit of the holders of those Bonds. Duke Energy Carolinas may modify any such covenant only with the consent of the holders of 66⅔% in principal amount of those Bonds outstanding, without the consent of Bondholders of any other series.

### Events of Default

The Bond Trustee may, and at the written request of the holders of a majority in principal amount of the outstanding Bonds will, declare the principal of all outstanding Bonds due when any event of default under the Mortgage occurs. The holders of a majority in principal amount of the outstanding Bonds may, however, waive the default and rescind the declaration if Duke Energy Carolinas cures the default.

Events of default under the Mortgage include:

- default in the payment of principal;
- default for 60 days in the payment of interest;
- default in the performance of any other covenant in the Mortgage continuing for 60 days after the Bond Trustee or the holders of not less than 10% in principal amount of the Bonds then outstanding give notice of the default;
- Duke Energy Carolinas is adjudicated insolvent or bankrupt by decree of a court or a receiver is appointed of all or any substantial part of the mortgaged property in an insolvency or bankruptcy proceeding and the order or decree remains unstayed and in effect for 60 days; and
- Duke Energy Carolinas files a petition in voluntary bankruptcy, makes an assignment for the benefit of creditors or consents to the appointment of a receiver of all or any substantial part of the mortgaged property or to any adjudication of insolvency or bankruptcy.

Duke Energy Carolinas provides a statement by its officers each year to the Bond Trustee stating whether it has complied with the covenants of the Mortgage.

### Concerning the Bond Trustee

The Bank of New York Trust Company, N.A., is the Bond Trustee and its affiliate, The Bank of New York, is the Senior Indenture Trustee and the Subordinated Indenture Trustee. Duke Energy Carolinas and some of its affiliates have banking relationships with The Bank of New York. The Bank of New York or its affiliate also serves as trustee or agent under other indentures and agreements pursuant to which securities of Duke Energy Carolinas and of some of its affiliates are outstanding.

The Bond Trustee is under no obligation to exercise any of its powers at the request of any of the holders of the Bonds unless those Bondholders have offered to the Bond Trustee security or indemnity satisfactory to it against the cost, expenses and liabilities it might incur as a result. The holders of a majority in principal amount of the Bonds outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Bond Trustee, or the exercise of any trust or power of the Bond Trustee. The Bond Trustee will not be liable for any action that it takes or omits to take in good faith in accordance with any such direction.

## PLAN OF DISTRIBUTION

We may sell securities to one or more underwriters or dealers for public offering and sale by them, or we may sell the securities to investors directly or through agents. The prospectus supplement relating to the securities being offered will set forth the terms of the offering and the method of distribution and will identify any firms acting as underwriters, dealers or agents in connection with the offering, including:

- the name or names of any underwriters;
- the purchase price of the securities and the proceeds to us from the sale;
- any underwriting discounts and other items constituting underwriters' compensation;
- any public offering price;
- any discounts or concessions allowed or reallowed or paid to dealers; and
- any securities exchange or market on which the securities may be listed.

Only those underwriters identified in the prospectus supplement are deemed to be underwriters in connection with the securities offered in the prospectus supplement.

We may distribute the securities from time to time in one or more transactions at a fixed price or prices, which may be changed, or at prices determined as the prospectus supplement specifies. We may sell securities through forward contracts or similar arrangements. In connection with the sale of securities, underwriters, dealers or agents may be deemed to have received compensation from us in the form of underwriting discounts or commissions and also may receive commissions from securities purchasers for whom they may act as agent. Underwriters may sell the securities to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters or commissions from the purchasers for whom they may act as agent.

We may sell the securities directly or through agents we designate from time to time. Any agent involved in the offer or sale of the securities covered by this prospectus will be named in a prospectus supplement relating to such securities. Commissions payable by us to agents will be set forth in a prospectus supplement relating to the securities being offered. Unless otherwise indicated in a prospectus supplement, any such agents will be acting on a best-efforts basis for the period of their appointment.

Some of the underwriters, dealers or agents and some of their affiliates who participate in the securities distribution may engage in other transactions with, and perform other services for, us and our subsidiaries or affiliates in the ordinary course of business.

Any underwriting or other compensation which we pay to underwriters or agents in connection with the securities offering, and any discounts, concessions or commissions which underwriters allow to dealers, will be set forth in the applicable prospectus supplement. Underwriters, dealers and agents participating in the securities distribution may be deemed to be underwriters, and any discounts and commissions they receive and any profit they realize on the resale of the securities may be deemed to be underwriting discounts and commissions under the Securities Act of 1933. Underwriters, and their controlling persons, and agents may be entitled, under agreements we enter into with them, to indemnification against certain civil liabilities, including liabilities under the Securities Act of 1933.

## EXPERTS

The consolidated financial statements and the related financial statement schedule of Duke Energy Carolinas, LLC incorporated in this prospectus by reference from Duke Energy Carolinas' Annual Report on Form 10-K for the year ended December 31, 2006 have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report (which report expresses an unqualified opinion and includes an explanatory paragraph regarding the April 3, 2006 conversion to a limited liability company and the transfer of a subsidiary to its parent), which is incorporated herein by reference, and has been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The consolidated financial statements and the related financial statement schedule of DCP Midstream, LLC as of and for the years ended December 31, 2006 and 2005, incorporated in this prospectus by reference from Duke Energy Carolinas' Annual Report on Form 10-K for the year ended December 31, 2006, have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report, which is incorporated herein by reference, and has been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The consolidated financial statements of TEPPCO Partners, L.P. as of December 31, 2005 and 2004, and for each of the years in the three-year period ended December 31, 2005 have been incorporated by reference herein in reliance upon the report of KPMG LLP, independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing. The audit report dated February 28, 2006, except for the effects of discontinued operations, as discussed in Note 5, which is as of June 1, 2006, contains a separate paragraph that states that as discussed in Note 20 to the consolidated financial statements, TEPPCO Partners, L.P. has restated its consolidated balance sheet as of December 31,

2004, and the related consolidated statements of income, partners' capital and comprehensive income, and cash flows for the years ended December 31, 2004 and 2003.

## VALIDITY OF THE SECURITIES

Robert T. Lucas III, Esq., who is our Associate General Counsel and Assistant Secretary, and/or counsel named in the applicable prospectus supplement, will issue an opinion about the validity of the securities we are offering in the applicable prospectus supplement. Counsel named in the applicable prospectus supplement will pass upon certain legal matters on behalf of any underwriters.

## WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934 and, in accordance therewith, file annual, quarterly and current reports and other information with the Securities and Exchange Commission, or the SEC. Such reports and other information can be inspected and copied at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may also obtain copies of these documents at prescribed rates from the Public Reference Section of the SEC at its Washington, D.C. address. Please call the SEC at 1-800-SEC-0330 for further information. Our filings are also available to the public through Duke Energy's web site at *http://www.duke-energy.com* and are made available as soon as reasonably practicable after such material is filed with or furnished to the SEC. The information on our website is not a part of this prospectus. Our filings are also available to the public through the SEC web site at *http://www.sec.gov* .

Additional information about Duke Energy Carolinas is also available at *http://www.duke-energy.com.* Such web site is not a part of this prospectus.

The SEC allows us to "incorporate by reference" into this prospectus the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus, and information that we file later with the SEC will automatically update and supersede this information. This prospectus incorporates by reference the documents incorporated in the prospectus at the time the registration statement became effective and all later documents filed with the SEC, in all cases as updated and superseded by later filings with the SEC. Duke Energy incorporates by reference the documents listed below and any future filings made with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 until the offering is completed.

- Annual Report on Form 10-K for the year ended December 31, 2006;
- Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2007, and June 30, 2007; and
- Current reports on Form 8-K filed March 12, 2007; May 31, 2007; June 5, 2007; June 6, 2007; July 5, 2007; and July 18, 2007.

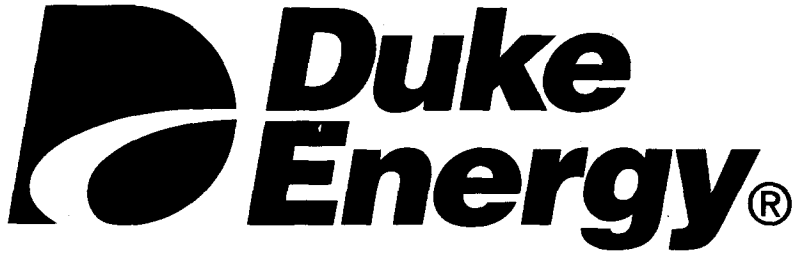
We will provide without charge a copy of these filings, other than any exhibits unless the exhibits are specifically incorporated by reference into this prospectus. You may request a copy by writing us at the following address or telephoning one of the following numbers:

Investor Relations Department
P.O. Box 1005
Charlotte, North Carolina 28201
(704) 382-3853 or (800) 488-3853 (toll-free)

You should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell the securities described in this prospectus in any state where the offer or sale is not permitted. You should assume that the information contained in the prospectus is accurate only as of its date. Our business, financial condition, results of operations and prospects may have changed since that date.

**DUKE ENERGY CAROLINAS, LLC**
**SENIOR NOTES**
**SUBORDINATED NOTES**
**FIRST AND REFUNDING MORTGAGE BONDS**

**PROSPECTUS**




Carolinas

**BEFORE**
**THE PUBLIC SERVICE COMMISSION OF**
**SOUTH CAROLINA**

**DOCKET NO. 2007-338-E**

| | |
|---|---|
| Application of Duke Energy Carolinas, LLC, | ) |
| For Authorization Under Article 13, Chapter | ) |
| 27 of Title 58 Of The Code Of Laws of South | ) |
| Carolina, (1976, As Amended), to Issue and | ) |
| Sell Securities | ) |
| | ) |

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**REPORT OF ISSUE AND SALE**

**OF SECURITIES**

# EXHIBIT 2

**UNDERWRITING AGREEMENT**
**DATED NOVEMBER 16, 2009**

*Execution Copy*

**DUKE ENERGY CAROLINAS, LLC**

**FIRST AND REFUNDING MORTGAGE BONDS,**
**$750,000,000 5.30% SERIES DUE 2040**

***UNDERWRITING AGREEMENT***

November 16, 2009

Banc of America Securities LLC
One Bryant Park
New York, NY 10036

Citigroup Global Markets Inc.
388 Greenwich Street
New York, NY 10013

Morgan Stanley & Co. Incorporated
1585 Broadway
New York, NY 10036

and

Wells Fargo Securities, LLC
301 S. College Street
Charlotte, NC 28288

As Representatives of the several Underwriters

Ladies and Gentlemen:

1. *Introductory.* DUKE ENERGY CAROLINAS, LLC, a North Carolina limited liability company (the "Company"), proposes, subject to the terms and conditions stated herein, to issue and sell $750,000,000 aggregate principal amount of First and Refunding Mortgage Bonds, 5.30% Series due 2040 (the "Bonds"), to be issued under and secured by a First and Refunding Mortgage, dated as of December 1, 1927 (the "Original Mortgage"), between the Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee"), as amended and supplemented by various supplemental indentures, including the Ninetieth Supplemental Indenture, to be dated as of November 19, 2009 (the Original Mortgage, as so amended and supplemented, being hereinafter called the "Mortgage"). Banc of America Securities LLC, Citigroup Global Markets Inc., Morgan Stanley & Co. Incorporated and Wells Fargo Securities, LLC (the "Representatives") are acting as representatives of the several underwriters named in Schedule A hereto (together with the Representatives, the "Underwriters"). The Company understands that the several Underwriters propose to offer the Bonds for sale upon the terms and conditions contemplated by (i) this Agreement and (ii) the

Base Prospectus, the Preliminary Prospectus and any Permitted Free Writing Prospectus (each as defined below) issued at or prior to the Applicable Time (as defined below) (the documents referred to in the foregoing subclause (ii) are referred to herein as the "Pricing Disclosure Package").

2. *Representations and Warranties of the Company.* As of the date hereof, as of the Applicable Time (as defined below) and as of the Closing Date the Company represents and warrants to, and agrees with, the several Underwriters that:

(a) Registration statement (No. 333-146483-03), including a prospectus, relating to the Bonds and certain other securities has been filed with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "1933 Act"). Such registration statement and any post-effective amendment thereto, each in the form heretofore delivered to you, became effective upon filing with the Commission pursuant to Rule 462 of the rules and regulations of the Commission under the 1933 Act (the "1933 Act Regulations"), and no stop order suspending the effectiveness of such registration statement has been issued and no proceeding for that purpose or pursuant to Section 8A of the 1933 Act has been initiated or threatened by the Commission (if prepared, any preliminary prospectus supplement specifically relating to the Bonds immediately prior to the Applicable Time included in such registration statement or filed with the Commission pursuant to Rule 424(b) of the 1933 Act Regulations being hereinafter called a "Preliminary Prospectus"); the term "Registration Statement" means the registration statement as deemed revised pursuant to Rule 430B(f)(1) of the 1933 Act Regulations on the date of such registration statement's effectiveness for purposes of Section 11 of the 1933 Act, as such section applies to the Company and the Underwriters for the Bonds pursuant to Rule 430B(f)(2) of the 1933 Act Regulations (the "Effective Date"), including all exhibits thereto and including the documents incorporated by reference in the prospectus contained in the Registration Statement at the time such part of the Registration Statement became effective; the term "Base Prospectus" means the prospectus filed with the Commission on the date hereof by the Company; and the term "Prospectus" means the Base Prospectus together with the prospectus supplement specifically relating to the Bonds prepared in accordance with the provisions of Rule 430B and promptly filed after execution and delivery of this Agreement pursuant to Rule 430B or Rule 424(b) of the 1933 Act Regulations; any information included in such Prospectus that was omitted from the Registration Statement at the time it became effective but that is deemed to be a part of and included in such registration statement pursuant to Rule 430B is referred to as "Rule 430B Information;" and any reference herein to any Registration Statement, Preliminary Prospectus or the Prospectus shall be deemed to refer to and include the documents incorporated by reference therein, prior to the date hereof; any reference to any amendment or supplement to any Preliminary Prospectus or Prospectus shall be deemed to refer to and include any documents filed after the date of such Preliminary Prospectus or Prospectus, as the case may be, under the Securities Exchange Act of 1934, as amended (the "1934 Act"), and incorporated by reference in such Preliminary Prospectus or Prospectus, as the case may be;

and any reference to any amendment to the Registration Statement shall be deemed to refer to and include any annual report of the Company filed pursuant to Section 13(a) or 15(d) of the 1934 Act after the effective date of the Registration Statement that is incorporated by reference in the Registration Statement). For purposes of this Agreement, the term "Applicable Time" means 4:00 p.m. (New York City Time) on the date hereof.

(b) The Registration Statement, the Permitted Free Writing Prospectus specified on Schedule B hereto, the Preliminary Prospectus and the Prospectus conform, and any amendments or supplements thereto will conform, in all material respects to the requirements of the 1933 Act and the 1933 Act Regulations; and (A) the Registration Statement, as of its original effective date and at each deemed effective date with respect to the Underwriters pursuant to Rule 430B(f)(2) of the 1933 Act Regulations, and at the Closing Date (as defined herein), did not and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and (B) (i) the Pricing Disclosure Package, as of the Applicable Time, did not, (ii) the Prospectus and any amendment or supplement thereto, as of their dates, will not, and (iii) the Prospectus as of the Closing Date will not, include any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that the Company makes no warranty or representation to the Underwriters with respect to any statements or omissions made in reliance upon and in conformity with written information furnished to the Company by the Representatives on behalf of the Underwriters specifically for use in the Registration Statement, the Permitted Free Writing Prospectus, the Preliminary Prospectus or the Prospectus.

(c) Any Permitted Free Writing Prospectus specified on Schedule B hereto as of its issue date and at all subsequent times through the completion of the public offer and sale of the Bonds or until any earlier date that the Company notified or notifies the Underwriters as described in Section 5(f) did not, does not and will not include any information that conflicts with the information (not superseded or modified as of the Effective Date) contained in the Registration Statement, any Preliminary Prospectus or the Prospectus.

(d) At the earliest time the Company or another offering participant made a bona fide offer (within the meaning of Rule 164(h)(2) of the 1933 Act Regulations) of the Bonds, the Company was not an "ineligible issuer" as defined in Rule 405 of the 1933 Act Regulations. The Company is, and was at the time of the initial filing of the Registration Statement, eligible to use Form S-3 under the 1933 Act.

(e) The documents incorporated or deemed to be incorporated by reference in the Registration Statement, the Pricing Disclosure Package and the Prospectus, at the time they were filed or hereafter are filed with the Commission, complied and will comply in all material respects with the requirements of the 1934 Act and the rules and regulations of the Commission thereunder (the "1934 Act Regulations"),

and, when read together with the other information in the Prospectus, (a) at the time the Registration Statement became effective, (b) at the Applicable Time and (c) on the Closing Date did not, and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(f) The Company's Annual Report filed on Form 10-K meets the conditions specified in General Instruction I(1) of the General Instructions for Form 10-K, and the Company's most recent Quarterly Report filed on Form 10-Q meets the conditions specified in General Instruction H(1) of the General Instructions for Form 10-Q.

(g) The compliance by the Company with all of the provisions of this Agreement has been duly authorized by all necessary limited liability company action and the consummation of the transactions herein contemplated will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company is a party or by which it is bound or to which any of its property or assets is subject that would have a material adverse effect on the business, financial condition or results of operations of the Company, nor will such action result in any violation of the provisions of the Articles of Organization, the Limited Liability Company Operating Agreement or other governing document of the Company or any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or any of its property that would have a material adverse effect on the business, financial condition or results of operations of the Company; and no consent, approval, authorization, order, registration or qualification of or with any such court or governmental agency or body is required for the consummation by the Company of the transactions contemplated by this Agreement, except for authorization by the North Carolina Utilities Commission and The Public Service Commission of South Carolina and the registration under the 1933 Act of the Bonds, qualification under the Trust Indenture Act of 1939 (the "1939 Act") and such consents, approvals, authorizations, registrations or qualifications as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Bonds by the Underwriters.

(h) This Agreement has been duly authorized, executed and delivered by the Company.

(i) The Original Mortgage has been duly authorized, executed and delivered by the Company and duly qualified under the 1939 Act and the Ninetieth Supplemental Indenture, to be dated as of November 19, 2009 has been duly authorized and when executed and delivered by the Company and, assuming the due authorization, execution and delivery thereof by the Trustee, the Mortgage constitutes a valid and legally binding instrument of the Company enforceable against the Company in accordance with its terms, subject to the qualifications

that the enforceability of the Company's obligations under the Mortgage may be limited by (x) the laws of the States of North Carolina and South Carolina (in which states all physical property of the Company subject to the Mortgage is located except for certain interconnection lines) with respect to or affecting the remedies to enforce the security provided by the Mortgage, which laws do not make inadequate the remedies necessary for the realization of the benefits of such security, and by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law), and (y) that the provisions of the Mortgage subjecting to the lien thereof the revenues and income from the mortgaged property may not be effective prior to the delivery or taking of possession of such revenues or income or of the mortgaged property by or on behalf of the Trustee.

(j) The Bonds have been duly authorized and when executed by the Company, and when authenticated by the Trustee, in the manner provided in the Mortgage and delivered against payment therefor, will constitute valid and legally binding obligations of the Company, enforceable against the Company in accordance with their terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether enforceability is considered in a proceeding in equity or at law) and are entitled to the benefits and security afforded by the Mortgage in accordance with the terms of the Mortgage and the Bonds, except as set forth in paragraph (i) above.

(k) Any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument set forth on Annex A hereto or filed or incorporated by reference as an exhibit to the Registration Statement or the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 2008 are all indentures, mortgages, deeds of trust, loan agreements or other agreements or instruments that are material to the Company and its subsidiaries taken as a whole.

(l) The Company has no "significant subsidiaries" within the meaning of Rule 405 of the 1933 Act Regulations.

3. *Purchase, Sale and Delivery of Bonds.* On the basis of the representations, warranties and agreements herein contained, but subject to the terms and conditions herein set forth, the Company agrees to sell to the Underwriters, and the Underwriters agree, severally and not jointly, to purchase from the Company, at a purchase price of 98.698% of the principal amount of the Bonds plus accrued interest from November 19, 2009 (and in the manner set forth below), the respective principal amount of Bonds set forth opposite the name of each Underwriter on Schedule A hereto plus the respective principal amount of additional Bonds which each such Underwriter may become obligated to purchase pursuant to the provisions of Section 8 hereof. The Underwriters hereby agree to reimburse the Company in an aggregate amount equal to $937,500, including in respect of expenses incurred by the Company in connection with the offering of the Bonds.

Payment of the purchase price for the Bonds to be purchased by the Underwriters and the reimbursement shall be made at the offices of Robinson, Bradshaw & Hinson, P.A., 101 North Tryon Street, Suite 1900, Charlotte, North Carolina 28246, or at such other place as shall be mutually agreed upon by the Representatives and the Company, at 10:00 a.m., New York City time, on November 19, 2009 or such other time and date as shall be agreed upon in writing by the Company and the Representatives (the "Closing Date"). All other documents referred to herein that are to be delivered at the Closing Date shall be delivered at that time at the offices of Sidley Austin LLP, 787 Seventh Avenue, New York, NY 10019. Payment shall be made to the Company by wire transfer in immediately available funds, payable to the order of the Company against delivery of the Bonds, in fully registered form, to you or upon your order. The Bonds shall be delivered in the form of one or more global certificates in aggregate denomination equal to the aggregate principal amount of the Bonds upon original issuance, and registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC").

4. *Offering by the Underwriters.* It is understood that the several Underwriters propose to offer the Bonds for sale to the public as set forth in the Pricing Disclosure Package and the Prospectus.

5. *Covenants of the Company.* The Company covenants and agrees with the several Underwriters that:

(a) The Company will cause any Preliminary Prospectus and the Prospectus to be filed pursuant to, and in compliance with, Rule 424(b) of the 1933 Act Regulations, and advise the Underwriters promptly of the filing of any amendment or supplement to the Registration Statement, any Preliminary Prospectus or the Prospectus and of the institution by the Commission of any stop order proceedings in respect of the Registration Statement, and will use its best efforts to prevent the issuance of any such stop order and to obtain as soon as possible its lifting, if issued.

(b) If at any time when a prospectus relating to the Bonds (or the notice referred to in Rule 173(a) of the 1933 Act Regulations) is required to be delivered under the 1933 Act any event occurs as a result of which the Pricing Disclosure Package or the Prospectus as then amended or supplemented would include an untrue statement of a material fact, or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, or if it is necessary at any time to amend the Pricing Disclosure Package or the Prospectus to comply with the 1933 Act, the Company promptly will prepare and file with the Commission an amendment, supplement or an appropriate document pursuant to Section 13 or 14 of the 1934 Act which will correct such statement or omission or which will effect such compliance.

(c) The Company, during the period when a prospectus relating to the Bonds is required to be delivered under the 1933 Act, will timely file all documents required to be filed with the Commission pursuant to Section 13 or 14 of the 1934 Act.

(d) Without the prior consent of the Underwriters, the Company has not made and will not make any offer relating to the Bonds that would constitute a "free writing prospectus" as defined in Rule 405 of the 1933 Act Regulations, other than a Permitted Free Writing Prospectus; each Underwriter, severally and not jointly, represents and agrees that, without the prior consent of the Company, it has not made and will not make any offer relating to the Bonds that would constitute a "free writing prospectus" as defined in Rule 405 of the 1933 Act Regulations, other than a Permitted Free Writing Prospectus or a free writing prospectus that is not required to be filed by the Company pursuant to Rule 433 of the 1933 Act Regulations; any such free writing prospectus (which shall include the pricing term sheet discussed in Section 5(e) below), the use of which has been consented to by the Company and the Underwriters, is listed on Schedule B and herein is called a "Permitted Free Writing Prospectus." The Company represents that it has treated or agrees that it will treat each Permitted Free Writing Prospectus as an "issuer free writing prospectus," as defined in Rule 433, and has complied and will comply with the requirements of Rule 433 applicable to any Permitted Free Writing Prospectus, including timely filing with the Commission where required, legending and record keeping.

(e) The Company agrees to prepare a pricing term sheet specifying the terms of the Bonds not contained in any Preliminary Prospectus, substantially in the form of Schedule C hereto and approved by the Representatives on behalf of the Underwriters, and to file such pricing term sheet as an "issuer free writing prospectus" pursuant to Rule 433 of the 1933 Act Regulations prior to the close of business two business days after the date hereof.

(f) The Company agrees that if at any time following the issuance of a Permitted Free Writing Prospectus any event occurs as a result of which such Permitted Free Writing Prospectus would conflict with the information (not superseded or modified as of the Effective Date) in the Registration Statement, the Pricing Disclosure Package or the Prospectus or would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances then prevailing, not misleading, the Company will give prompt notice thereof to the Underwriters and, if requested by the Underwriters, will prepare and furnish without charge to each Underwriter a free writing prospectus or other document, the use of which has been consented to by the Underwriters, which will correct such conflict, statement or omission.

(g) The Company will make generally available to its security holders, in each case as soon as practicable but not later than 60 days after the close of the period covered thereby, earnings statements (in form complying with the provisions of Rule 158 under the 1933 Act, which need not be certified by independent certified public accountants unless required by the 1933 Act) covering (i) a twelve-month period beginning not later than the first day of the Company's fiscal quarter next following the effective date of the Registration Statement and (ii) a twelve-month period beginning not later than the first day of the Company's fiscal quarter next following the date of this Agreement.

(h) The Company will furnish to you, without charge, copies of the Registration Statement (three of which will include all exhibits other than those incorporated by reference), the Pricing Disclosure Package and the Prospectus, and all amendments and supplements to such documents, in each case as soon as available and in such quantities as you reasonably request.

(i) The Company will arrange or cooperate in arrangements for the qualification of the Bonds for sale under the laws of such jurisdictions as you designate and will continue such qualifications in effect so long as required for the distribution; provided, however, that the Company shall not be required to qualify as a foreign limited liability company or to file any general consents to service of process under the laws of any state where it is not now so subject.

(j) The Company will pay all expenses incident to the performance of its obligations under this Agreement including (i) the printing and filing of the Registration Statement and the printing of this Agreement and any Blue Sky Survey, (ii) the preparation and printing of certificates for the Bonds, (iii) the issuance and delivery of the Bonds as specified herein, (iv) the fees and disbursements of counsel for the Underwriters in connection with the qualification of the Bonds under the securities laws of any jurisdiction in accordance with the provisions of Section 5(i) and in connection with the preparation of the Blue Sky Survey, such fees not to exceed $5,000, (v) the printing and delivery to the Underwriters, in quantities as hereinabove referred to, of copies of the Registration Statement and any amendments thereto, of any Preliminary Prospectus, of the Prospectus, of any Permitted Free Writing Prospectus and any amendments or supplements thereto, (vi) any fees charged by independent rating agencies for rating the Bonds, (vii) any fees and expenses in connection with the listing of the Bonds on the New York Stock Exchange, (viii) any filing fee required by the Financial Industry Regulatory Authority (ix) the costs of any depository arrangements for the Bonds with DTC or any successor depositary and (x) the costs and expenses of the Company relating to investor presentations on any "road show" undertaken in connection with the marketing of the offering of the Bonds, including, without limitation, expenses associated with the production of road show slides and graphics, fees and expenses of any consultants engaged in connection with the road show presentations with the prior approval of the Company, travel and lodging expenses of the Underwriters and officers of the Company and any such consultants, and the cost of any aircraft chartered in connection with the road show; provided, however, the Underwriters shall reimburse a portion of the costs and expenses referred to in this clause (x).

6. *Conditions of the Obligations of the Underwriters.* The obligations of the several Underwriters to purchase and pay for the Bonds will be subject to the accuracy of the representations and warranties on the part of the Company herein, to the accuracy of the statements of officers of the Company made pursuant to the provisions hereof, to the performance by the Company of its obligations hereunder and to the following additional conditions precedent:

(a) The Prospectus shall have been filed with the Commission pursuant to Rule 424(b) within the applicable time period prescribed for filing by the 1933 Act Regulations and in accordance herewith and each Permitted Free Writing Prospectus shall have been filed by the Company with the Commission within the applicable time periods prescribed for such filings by, and otherwise in compliance with, Rule 433 of the 1933 Act Regulations.

(b) On or after the Applicable Time and prior to the Closing Date, no stop order suspending the effectiveness of the Registration Statement shall have been issued and no proceedings for that purpose or pursuant to Section 8A of the 1933 Act shall have been instituted or, to the knowledge of the Company or you, shall be threatened by the Commission.

(c) On or after the Applicable Time and prior to the Closing Date, the rating assigned by Moody's Investors Service, Inc. or Standard & Poor's Ratings Services to any debt securities or preferred stock of the Company as of the date of this Agreement shall not have been lowered.

(d) Since the respective most recent dates as of which information is given in the Pricing Disclosure Package and the Prospectus and up to the Closing Date, there shall not have been any material adverse change in the condition of the Company, financial or otherwise, except as reflected in or contemplated by the Prospectus, and, since such dates and up to the Closing Date, there shall not have been any material transaction entered into by the Company other than transactions contemplated by the Pricing Disclosure Package and the Prospectus and transactions in the ordinary course of business, the effect of which in your reasonable judgment is so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Bonds on the terms and in the manner contemplated by the Pricing Disclosure Package and the Prospectus.

(e) You shall have received an opinion of Robert T. Lucas III, Esq., Associate General Counsel of the Company, dated the Closing Date, to the effect that:

(i) The Company has been duly organized and is validly existing as a limited liability company in good standing under the law of the State of North Carolina, with power and authority (limited liability company and other) to own its properties and conduct its business as described in the Pricing Disclosure Package and the Prospectus and to enter into and perform its obligations under this Agreement.

(ii) The Company is duly qualified to do business in each jurisdiction in which the ownership or leasing of its property or the conduct of its business requires such qualification, except where the failure to so qualify, considering all such cases in the aggregate, does not have a material adverse effect on the business, properties, financial condition or results of operations of the Company.

(iii) The Registration Statement became effective upon filing with the Commission pursuant to Rule 462 of the 1933 Act Regulations, and, to the best of such counsel's knowledge, no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been instituted or are pending or threatened under the 1933 Act.

(iv) The descriptions in the Registration Statement, the Pricing Disclosure Package and the Prospectus of any legal or governmental proceedings are accurate and fairly present the information required to be shown, and such counsel does not know of any litigation or any legal or governmental proceeding instituted or threatened against the Company or any of its properties that would be required to be disclosed in the Registration Statement, the Pricing Disclosure Package or the Prospectus and is not so disclosed.

(v) This Agreement has been duly authorized, executed and delivered by the Company.

(vi) The issue and sale of the Bonds by the Company, the execution, delivery and performance by the Company of this Agreement and the execution and delivery of the Mortgage by the Company will not breach or result in a default under any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument filed or incorporated by reference as an exhibit to the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 2008 or identified on Annex A hereto furnished to such counsel by the Company, which the Company has represented lists all indentures, mortgages, deeds of trust, loan agreements or other agreements or instruments that are material to the Company, nor will such action violate the Articles of Organization or the Limited Liability Company Operating Agreement of the Company or any federal statute or any rule or regulation that has been issued pursuant to any federal statute or any order known to such counsel issued pursuant to any federal statute, by any court or governmental agency or body having jurisdiction over the Company or any of its properties.

(vii) The North Carolina Utilities Commission and The Public Service Commission of South Carolina have issued appropriate orders with respect to the issuance and sale of the Bonds in accordance with this Agreement, and, to the best of such counsel's knowledge, such orders are still in effect; the issuance and sale of the Bonds to the Underwriters are in conformity with the terms of such orders.

(viii) The Mortgage has been duly authorized, executed and delivered by the Company and qualified under the 1939 Act, and, assuming the due authorization, execution and delivery thereof by the Trustee, constitutes a valid and legally binding instrument of the Company, enforceable against

the Company in accordance with its terms, except (x) as the same may be limited by the laws of the States of North Carolina and South Carolina (in which States such counsel is advised all physical property of the Company subject to the Mortgage is located except for certain interconnection lines) with respect to or affecting the remedies to enforce the security provided by the Mortgage, which laws do not, in the opinion of such counsel, make inadequate the remedies necessary for the realization of the benefits of such security, and (y) that the provisions of the Mortgage subjecting to the lien thereof the revenues and income from the mortgaged property may not be effective prior to the delivery or taking of possession of such revenues or income or of the mortgaged property by or on behalf of the Trustee.

(ix) The Bonds have been duly authorized, executed and issued by the Company and, when the same have been authenticated by the Trustee as specified in the Mortgage and delivered against payment therefor, will constitute valid and legally binding obligations of the Company enforceable against the Company in accordance with their terms, and are entitled to the benefits and security afforded by the Mortgage in accordance with the terms of the Mortgage and the Bonds, except as set forth in paragraph (viii) above.

(x) The Company has good title to all properties owned by it, subject only (a) to the lien of the Mortgage, (b) to permitted encumbrances as defined in the Mortgage, (c) to minor exceptions and defects which do not, in the aggregate, in the opinion of such counsel, materially interfere with the use by the Company of such properties for the purposes for which they are held, materially detract from the value of said properties or in any material way impair the security afforded by the Mortgage, and (d) in the case of the Company's existing hydroelectric plants, to provisions of licenses issued by the Federal Power Commission or the Federal Energy Regulatory Commission and to the provisions of the Federal Power Act.

(xi) The Mortgage complies as to form with all applicable laws of the states wherein the properties subjected or intended to be subjected to the lien of the Mortgage are located, including all applicable recording laws, and constitutes a valid, direct first mortgage lien on all properties and franchises purported to be owned by the Company, except such property as is specifically excepted from the lien thereof, subject only to the liens, charges and encumbrances stated in paragraph (x) above; all fixed electric properties hereafter acquired by the Company will, upon such acquisition, become subject to the lien of the Mortgage, subject, however, to liens or charges of the character permitted to exist by the Mortgage, and to liens, if any, existing or placed on such property at the time of the acquisition thereof by the Company, and the description of such property and franchises in the Mortgage is adequate to constitute a lien on such property and franchises of the Company except as aforesaid.

(xii) The Original Mortgage and the supplemental indentures thereto, other than the Ninetieth Supplemental Indenture to be dated as of November 19, 2009 have been duly recorded or filed for recordation in all such offices as are necessary to perfect and to preserve and protect the lien of the Mortgage upon the property intended to be subjected to the lien thereof, and upon the filing and recording of the Ninetieth Supplemental Indenture to be dated as of November 19, 2009 no other recording or any periodic or other refiling or rerecording of the Mortgage is or will be required in order to perfect and to preserve and protect the lien of the Mortgage upon such property, and there are no mortgage, recording or other taxes required to be paid in connection with such filing and recording or in connection with the issuance of the Bonds other than customary filing and recording fees.

(xiii) No consent, approval, authorization, order, registration or qualification of or with any federal, North Carolina or South Carolina governmental agency or body or, to such counsel's knowledge, any federal or North Carolina court is required for the issue and sale of the Bonds by the Company and the compliance by the Company with all of the provisions of this Agreement, except for the registration under the 1933 Act of the Bonds, and such consents, approvals, authorizations, registrations or qualifications as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Bonds by the Underwriters.

Such counsel may state that his opinions in paragraphs (viii) and (ix) are subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, and by general principles of equity (regardless of whether enforceability is considered in a proceeding in equity or at law) and to an implied covenant of good faith and fair dealing. Such counsel may also state that his opinion in paragraph (x) is based upon the Company's title insurance. Such counsel shall state that nothing has come to his attention that has caused him to believe that each document incorporated by reference in the Registration Statement, the Pricing Disclosure Package and the Prospectus, when filed, was not, on its face, appropriately responsive, in all material respects, to the requirements of the 1934 Act and the 1934 Act Regulations. Such counsel shall also state that nothing has come to his attention that has caused him to believe that (i) the Registration Statement, including the Rule 430B Information, as of its effective date and at each deemed effective date with respect to the Underwriters pursuant to Rule 430B(f)(2) of the 1933 Act Regulations, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) the Pricing Disclosure Package at the Applicable Time contained any untrue statement of a material fact or omitted to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading or (iii) that the Prospectus or any amendment or supplement thereto, as of the date it was filed with, or transmitted for filing to, the Commission and at the Closing Date, contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. Such counsel may also state that, except as otherwise expressly provided in such

opinion, he does not assume any responsibility for the accuracy, completeness or fairness of the statements contained in or incorporated by reference into the Registration Statement, the Pricing Disclosure Package or the Prospectus and does not express any opinion or belief as to (i) the financial statements or other financial data contained or incorporated by reference therein, (ii) the statement of the eligibility and qualification of the Trustee included in the Registration Statement (the "Form T-1") or (iii) the information in the Prospectus under the caption "Book-Entry System."

In rendering the foregoing opinion, such counsel may state that he does not express any opinion concerning any law other than the law of the State of North Carolina and may rely as to all matters of the law of the State of South Carolina on the opinion of Karol P. Mack, Esq., Associate General Counsel of the Corporation, and Robinson, McFadden & Moore, P.C. (or other appropriate counsel reasonably satisfactory to the Representatives, which may include the Corporation's other "in-house" counsel). Such counsel may also state that he has relied as to certain factual matters on information obtained from public officials, officers of the Company and other sources believed by him to be responsible.

(f) You shall have received an opinion of Robinson, Bradshaw & Hinson, P.A., counsel to the Company, dated the Closing Date, to the effect that:

(i) The statements (i) under the caption "Description of the First and Refunding Mortgage Bonds" in the Base Prospectus and (ii) under the caption "Description of the Mortgage Bonds" in the Pricing Disclosure Package and the Prospectus, insofar as such statements purport to summarize certain provisions of the Mortgage and the Bonds, fairly summarize such provisions in all material respects.

(ii) No Governmental Approval, which has not been obtained or taken and is not in full force and effect, is required to authorize, or is required for, the execution or delivery of this Agreement by the Company or the consummation by the Company of the transactions contemplated hereby.

(iii) The Company is not and, solely after giving effect to the offering and sale of the Bonds and the application of the proceeds thereof as described in the Prospectus, will not be subject to registration and regulation as an "investment company" as such term is defined in the Investment Company Act of 1940, as amended.

(iv) The execution and delivery by the Company of this Agreement and the consummation by the Company of the transactions contemplated thereby, including the issuance and sale of the Bonds, will not violate or conflict with, or result in any contravention of, any Applicable Law of the State of North Carolina.

(v) The statements in the Pricing Disclosure Package and the Prospectus under the caption "Underwriting," insofar as such statements purport to

summarize certain provisions of this Agreement, fairly summarize such provisions in all material respects.

In rendering the foregoing opinions, Robinson, Bradshaw & Hinson, P.A. may state that (i) "Governmental Approval" means any consent, approval, license, authorization or validation of, or filing, qualification or registration with, any Governmental Authority required to be made or obtained by the Company pursuant to Applicable Laws, other than any consent, approval, license, authorization, validation, filing, qualification or registration that may have become applicable as a result of the involvement of any party (other than the Company) in the transactions contemplated by this Agreement or because of such parties' legal or regulatory status or because of any other facts specifically pertaining to such parties; (ii) "Governmental Authorities" means any court, regulatory body, administrative agency or governmental body of the State of North Carolina having jurisdiction over the Company under Applicable Laws and the Federal Energy Regulatory Commission, but excluding the North Carolina Utilities Commission; and (iii) "Applicable Laws" means those laws, rules and regulations of the State of North Carolina that, in such counsel's experience, are normally applicable to transactions of the type contemplated by this Agreement (other than state securities or blue sky laws, antifraud laws, the rules and regulations of the Financial Industry Regulatory Authority, the North Carolina Public Utilities Act and the rules and regulations of the North Carolina Utilities Commission), but without such counsel having made any special investigation as to the applicability of any specific law, rule or regulation, and the Federal Power Act and the rules and regulations of the Federal Energy Regulatory Commission thereunder. In addition, such counsel may state that they have relied as to certain factual matters on information obtained from public officials, officers and representatives of the Company and that the signatures on all documents examined by them are genuine, assumptions which such counsel have not independently verified.

You shall also have received a statement of Robinson, Bradshaw & Hinson, P.A., dated the Closing Date, to the effect that:

(i) no facts have come to such counsel's attention that have caused such counsel to believe that the documents filed by the Company under the 1934 Act and the 1934 Act Regulations that are incorporated by reference in the preliminary prospectus supplement that forms a part of the Pricing Disclosure Package and the Prospectus, were not, on their face, appropriately responsive in all material respects to the requirements of the 1934 Act and the 1934 Act Regulations (except that in each case such counsel need not express any view as to the financial statements, schedules and other financial information included or incorporated by reference therein or excluded therefrom or the Form T-1) (ii) the Registration Statement, at the Applicable Time and the Prospectus, as of

its date, appeared on their face to be appropriately responsive in all material respects to the requirements of the 1933 Act and the 1933 Act Rules and Regulations (except that in each case such counsel need not express any view as to the financial statements, schedules and other financial information included or incorporated by reference therein or excluded therefrom or the Form T-1) and (iii) no facts have come to such counsel's attention that have caused such counsel to believe that the Registration Statement, at the Applicable Time, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that the Prospectus, as of its date and as of the Closing Date, contained or contains an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading (except that in each case such counsel need not express any view as to the financial statements, schedules and other financial information included or incorporated by reference therein or excluded therefrom or the statements contained in the exhibits to the Registration Statement, including the Form T-1). Such counsel shall further state that, in addition, no facts have come to such counsel's attention that have caused such counsel to believe that the Pricing Disclosure Package, as of the Applicable Time, contained an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading (except that such counsel need not express any view as to the financial statements, schedules and other financial information included or incorporated by reference therein or excluded therefrom or the statements contained in the exhibits to the Registration Statement, including the Form T-1).

In addition, such statement shall confirm that the Prospectus has been filed with the Commission within the time period required by Rule 424 of the 1933 Act Regulations and any required filing of a Permitted Free Writing Prospectus pursuant to Rule 433 of the 1933 Act Regulations has been filed with the Commission within the time period required by Rule 433(d) of the 1933 Act Regulations. Such statement shall further state that the Registration Statement became effective upon filing under the 1933 Act and the Mortgage has been qualified under the 1939 Act, and that such counsel has been orally advised by the Commission that no stop order suspending the effectiveness of the Registration Statement has been issued and, to such counsel's knowledge, no proceedings for that purpose have been instituted or are pending or threatened by the Commission.

In addition, such counsel may state that such counsel does not pass upon, or assume any responsibility for, the accuracy, completeness or fairness of the statements contained or incorporated by reference in the Registration Statement, the Pricing Disclosure Package or the Prospectus

and has made no independent check or verification thereof (except to the limited extent referred to in Section 6(f)(i) above).

(g) You shall have received an opinion of Sidley Austin LLP, counsel for the Underwriters, dated the Closing Date, with respect to the validity of the Bonds, the effectiveness of the Registration Statement, the Pricing Disclosure Package and the Prospectus, as amended or supplemented, and such other related matters as you may require, and the Company shall have furnished to such counsel such documents as they request for the purpose of enabling them to pass upon such matters. In giving their opinion, Sidley Austin LLP may rely on the opinion of Robert T. Lucas III, Esq. as to matters of North Carolina law and on the opinions of Karol P. Mack, Esq., Associate General Counsel of the Corporation, and Robinson, McFadden & Moore, P.C. (or other appropriate counsel reasonably satisfactory to the Representatives) as to matters of South Carolina law.

(h) On or after the date hereof, there shall not have occurred any of the following: (i) a suspension or material limitation in trading in securities generally or of the securities of the Company or Duke Energy Corporation, on the New York Stock Exchange; or (ii) a general moratorium on commercial banking activities in New York declared by either Federal or New York State authorities or a material disruption in commercial banking services or securities settlement or clearance services in the United States; or (iii) the outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or war, if the effect of any such event specified in this subsection (h) in your reasonable judgment makes it impracticable or inadvisable to proceed with the public offering or the delivery of the Bonds on the terms and in the manner contemplated in the Pricing Disclosure Package and the Prospectus. In such event there shall be no liability on the part of any party to any other party except as otherwise provided in Section 7 hereof and except for the expenses to be borne by the Company as provided in Section 5(j) hereof.

(i) You shall have received a certificate of the Chairman of the Board, the President, any Vice President, the Secretary or an Assistant Secretary and any financial or accounting officer of the Company, dated the Closing Date, in which such officers, to the best of their knowledge after reasonable investigation, shall state that the representations and warranties of the Company in this Agreement are true and correct as of the Closing Date, that the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied at or prior to the Closing Date, that the conditions specified in Section 6(c) and Section 6(d) have been satisfied, and that no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been instituted or are threatened by the Commission.

(j) At the time of the execution of this Agreement, you shall have received a letter dated such date, in form and substance satisfactory to you, from Deloitte & Touche LLP, the Company's independent registered public accounting firm, containing statements and information of the type ordinarily included in

accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in or incorporated by reference into the Registration Statement, the Pricing Disclosure Package and the Prospectus, including specific references to inquiries regarding any increase in long-term debt (excluding current maturities), decrease in net current assets (defined as current assets less current liabilities) or member's equity, and decrease in operating revenues or net income for the period subsequent to the latest financial statements incorporated by reference in the Registration Statement when compared with the corresponding period from the preceding year, as of a specified date not more than three business days prior to the date of this Agreement.

(k) At the Closing Date, you shall have received from Deloitte & Touche LLP, a letter dated as of the Closing Date, to the effect that they reaffirm the statements made in the letter furnished pursuant to subsection (j) of this Section 6, except that the specified date referred to shall be not more than three business days prior to the Closing Date.

The Company will furnish you with such conformed copies of such opinions, certificates, letters and documents as you reasonably request.

7. *Indemnification.* (a) The Company agrees to indemnify and hold harmless each Underwriter, their respective officers and directors, and each person, if any, who controls any Underwriter within the meaning of Section 15 of the 1933 Act, as follows:

(i) against any and all loss, liability, claim, damage and expense whatsoever arising out of any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or any amendment thereto) including the Rule 430B Information, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading or arising out of any untrue statement or alleged untrue statement of a material fact contained in the Preliminary Prospectus, the Pricing Disclosure Package, the Prospectus (or any amendment or supplement thereto) or any Permitted Free Writing Prospectus, or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, unless such statement or omission or such alleged statement or omission was made in reliance upon and in conformity with written information furnished to the Company by the Representatives on behalf of the Underwriters expressly for use in the Registration Statement (or any amendment thereto), the Preliminary Prospectus, the Pricing Disclosure Package, the Prospectus (or any amendment or supplement thereto) or any Permitted Free Writing Prospectus;

(ii) against any and all loss, liability, claim, damage and expense whatsoever to the extent of the aggregate amount paid in settlement of any litigation,

commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission or any such alleged untrue statement or omission, if such settlement is effected with the written consent of the Company; and

(iii) against any and all expense whatsoever reasonably incurred in investigating, preparing or defending against any litigation, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, to the extent that any such expense is not paid under (i) or (ii) of this Section 7.

In no case shall the Company be liable under this indemnity agreement with respect to any claim made against any Underwriter or any such controlling person unless the Company shall be notified in writing of the nature of the claim within a reasonable time after the assertion thereof, but failure so to notify the Company shall not relieve it from any liability which it may have otherwise than under subsections 7(a) and 7(d). The Company shall be entitled to participate at its own expense in the defense, or, if it so elects, within a reasonable time after receipt of such notice, to assume the defense of any suit brought to enforce any such claim, but if it so elects to assume the defense, such defense shall be conducted by counsel chosen by it and approved by the Underwriter or Underwriters or controlling person or persons, or defendant or defendants in any suit so brought, which approval shall not be unreasonably withheld. In any such suit, any Underwriter or any such controlling person shall have the right to employ its own counsel, but the fees and expenses of such counsel shall be at the expense of such Underwriter or such controlling person unless (i) the Company and such Underwriter shall have mutually agreed to the employment of such counsel, or (ii) the named parties to any such action (including any impleaded parties) include both such Underwriter or such controlling person and the Company and such Underwriter or such controlling person shall have been advised by such counsel that a conflict of interest between the Company and such Underwriter or such controlling person may arise and for this reason it is not desirable for the same counsel to represent both the indemnifying party and also the indemnified party (it being understood, however, that the Company shall not, in connection with any one such action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys for all such Underwriters and all such controlling persons, which firm shall be designated in writing by you). The Company agrees to notify you within a reasonable time of the assertion of any claim against it, any of its officers or directors or any person who controls the Company within the meaning of Section 15 of the 1933 Act, in connection with the sale of the Bonds.

(b) Each Underwriter severally agrees that it will indemnify and hold harmless the Company, its directors and each of the officers of the Company who signed the Registration Statement and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act to the same extent as the indemnity contained in subsection (a) of this Section, but only with respect to statements or omissions made in the Registration Statement (or any amendment thereto), the Preliminary Prospectus, the Pricing Disclosure Package, the Prospectus (or any amendment or supplement thereto) or any Permitted Free Writing Prospectus, in

reliance upon and in conformity with written information furnished to the Company by the Representatives on behalf of the Underwriters expressly for use in the Registration Statement (or any amendment thereto), the Preliminary Prospectus, the Pricing Disclosure Package, the Prospectus (or any amendment or supplement thereto) or any Permitted Free Writing Prospectus. In case any action shall be brought against the Company or any person so indemnified based on the Registration Statement (or any amendment thereto), the Preliminary Prospectus, the Pricing Disclosure Package, the Prospectus (or any amendment or supplement thereto) or any Permitted Free Writing Prospectus and in respect of which indemnity may be sought against any Underwriter, such Underwriter shall have the rights and duties given to the Company, and the Company and each person so indemnified shall have the rights and duties given to the Underwriters, by the provisions of subsection (a) of this Section.

(c) No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding, and does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

(d) If the indemnification provided for in this Section 7 is unavailable to or insufficient to hold harmless an indemnified party in respect of any and all loss, liability, claim, damage and expense whatsoever (or actions in respect thereof) that would otherwise have been indemnified under the terms of such indemnity, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such loss, liability, claim, damage or expense (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other from the offering of the Bonds. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law or if the indemnified party failed to give the notice required above, then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such loss, liability, claim, damage or expense (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company bear to the total compensation received by the Underwriters in respect of the underwriting discount as set forth in the table on the cover page of the Prospectus. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a

material fact relates to information supplied by the Company on the one hand or the Underwriters on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Underwriters agree that it would not be just and equitable if contributions pursuant to this Section were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section. The amount paid or payable by an indemnified party as a result of the losses, liabilities, claims, damages or expenses (or actions in respect thereof) referred to above in this Section shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section, no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Bonds underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations to contribute are several in proportion to their respective underwriting obligations and not joint.

8. *Default by One or More of the Underwriters.* (a) If any Underwriter shall default in its obligation to purchase the principal amount of the Bonds which it has agreed to purchase hereunder on the Closing Date, you may in your discretion arrange for you or another party or other parties to purchase such Bonds on the terms contained herein. If within thirty-six hours after such default by any Underwriter you do not arrange for the purchase of such Bonds, then the Company shall be entitled to a further period of thirty-six hours within which to procure another party or other parties satisfactory to you to purchase such Bonds on such terms. In the event that, within the respective prescribed periods, you notify the Company that you have so arranged for the purchase of such Bonds, or the Company notifies you that it has so arranged for the purchase of such Bonds, you or the Company shall have the right to postpone such Closing Date for a period of not more than seven days, in order to effect whatever changes may thereby be made necessary in the Registration Statement, the Pricing Disclosure Package or the Prospectus, or in any other documents or arrangements, and the Company agrees to file promptly any amendments to the Registration Statement, the Pricing Disclosure Package or the Prospectus which may be required. The term "Underwriter" as used in this Agreement shall include any person substituted under this Section with like effect as if such person had originally been a party to this Agreement with respect to such Bonds.

(b) If, after giving effect to any arrangements for the purchase of the Bonds of a defaulting Underwriter or Underwriters by you or the Company as provided in subsection (a) above, the aggregate amount of such Bonds which remains unpurchased does not exceed one-tenth of the aggregate amount of all the Bonds to be purchased at such Closing Date, then the Company shall have the right to require each non-defaulting Underwriter to purchase the amount of Bonds which

such Underwriter agreed to purchase hereunder at such Closing Date and, in addition, to require each non-defaulting Underwriter to purchase its pro rata share (based on the amount of Bonds which such Underwriter agreed to purchase hereunder) of the Bonds of such defaulting Underwriter or Underwriters for which such arrangements have not been made; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

(c) If, after giving effect to any arrangements for the purchase of the Bonds of a defaulting Underwriter or Underwriters by you or the Company as provided in subsection (a) above, the aggregate amount of such Bonds which remains unpurchased exceeds one-tenth of the aggregate amount of all the Bonds to be purchased at such Closing Date, or if the Company shall not exercise the right described in subsection (b) above to require non-defaulting Underwriters to purchase Bonds of a defaulting Underwriter or Underwriters, then this Agreement shall thereupon terminate, without liability on the part of any non-defaulting Underwriter or the Company, except for the expenses to be borne by the Company as provided in Section 5(j) hereof and the indemnity and contribution agreement in Section 7 hereof; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

9. *Representations and Indemnities to Survive Delivery.* The respective indemnities, agreements, representations, warranties and other statements of the Company or its officers and of the several Underwriters set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any investigation, or statement as to the results thereof, made by or on behalf of any Underwriter or the Company, or any of its officers or directors or any controlling person, and will survive delivery of and payment for the Bonds.

10. *Reliance on Your Acts.* In all dealings hereunder, the Representatives shall act on behalf of each of the Underwriters, and the Company shall be entitled to act and rely upon any statement, request, notice or agreement on behalf of any Underwriter made or given by the Representatives.

11. *No Fiduciary Relationship.* The Company acknowledges and agrees that (i) the purchase and sale of the Bonds pursuant to this Agreement is an arm's-length commercial transaction between the Company on the one hand, and the Underwriters on the other hand, (ii) in connection with the offering contemplated hereby and the process leading to such transaction, each Underwriter is and has been acting solely as a principal and is not the agent or fiduciary of the Company or its shareholders, creditors, employees, or any other party, (iii) no Underwriter has assumed or will assume an advisory or fiduciary responsibility in favor of the Company with respect to the offering contemplated hereby or the process leading thereto (irrespective of whether such Underwriter has advised or is currently advising the Company on other matters) and no Underwriter has any obligation to the Company with respect to the offering contemplated hereby except the obligations expressly set forth in this Agreement, (iv) the Underwriters and their respective affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Company, and (v) the Underwriters have not provided any legal, accounting, regulatory or tax advice with respect to the transaction contemplated hereby and the

Company has consulted its own legal, accounting, regulatory and tax advisors to the extent it deemed appropriate.

12. *Notices.* All communications hereunder will be in writing and, if sent to the Underwriters, will be mailed or telecopied and confirmed to Banc of America Securities LLC, NY1-100-18-03, New York, NY 10036, Attention: High Grade Transaction Management/Legal (Fax no.: 646-855-5958), Citigroup Global Markets Inc., Attention: General Counsel, (Fax no.: 212-816-7912), Morgan Stanley & Co. Incorporated, Morgan Stanley & Co. Incorporated 1585 Broadway, 29th Floor New York, NY 10036, Attention: Investment Banking Division, (Fax no.: 212-507-8999), and Wells Fargo Securities, LLC, 301 S. College Street, Charlotte, NC 28288, Attention: Transaction Management Department (Fax no.: 704-383-9165), or if sent to the Company, will be mailed or telecopied and confirmed to it at 526 South Church Street, Charlotte, N.C. 28202, (Fax no.: 980-373-3699), attention of Treasurer. Any such communications shall take effect upon receipt thereof.

13. *Business Day.* As used herein, the term "business day" shall mean any day when the Commission's office in Washington, D.C. is open for business.

14. *Successors.* This Agreement shall inure to the benefit of and be binding upon the Underwriters and the Company and their respective successors. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any person, firm or corporation, other than the parties hereto and their respective successors and the controlling persons, officers and directors referred to in Section 7 and their respective successors, heirs and legal representatives, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained; this Agreement and all conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties hereto and their respective successors and said controlling persons, officers and directors and their respective successors, heirs and legal representatives, and for the benefit of no other person, firm or corporation. No purchaser of Bonds from any Underwriter shall be deemed to be a successor or assign by reason merely of such purchase.

15. *Counterparts.* This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

16. *Applicable Law.* This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

If the foregoing is in accordance with your understanding, kindly sign and return to us two counterparts hereof, and upon confirmation and acceptance by the Underwriters, this letter and such confirmation and acceptance will become a binding agreement between the Company, on the one hand, and each of the Underwriters, on the other hand, in accordance with its terms.

Very truly yours,

DUKE ENERGY CAROLINAS, LLC

By: M. Allen Carrick
M. Allen Carrick
Assistant Treasurer

The foregoing Underwriting Agreement is hereby
confirmed and accepted as of the date first above written.
BANC OF AMERICA SECURITIES LLC
CITIGROUP GLOBAL MARKETS INC.
MORGAN STANLEY & CO. INCORPORATED
WELLS FARGO SECURITIES, LLC

On behalf of each of the Underwriters

BANC OF AMERICA SECURITIES LLC

By:_____
Name:
Title:

CITIGROUP GLOBAL MARKETS INC.

By:_____
Name:
Title:

MORGAN STANLEY & CO. INCORPORATED

By:_____
Name:
Title:

WELLS FARGO SECURITIES, LLC

By:_____
Name:
Title:

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Very truly yours,

DUKE ENERGY CAROLINAS, LLC

By:_____

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BANC OF AMERICA SECURITIES LLC
CITIGROUP GLOBAL MARKETS INC.
MORGAN STANLEY & CO. INCORPORATED
WELLS FARGO SECURITIES, LLC

On behalf of each of the Underwriters

BANC OF AMERICA SECURITIES LLC

By:_____
Name: Peter J. Carbone
Title: Vice President

CITIGROUP GLOBAL MARKETS INC.

By:_____
Name:
Title:

MORGAN STANLEY & CO. INCORPORATED

By:_____
Name:
Title:

WELLS FARGO SECURITIES, LLC

By:_____
Name:
Title:

If the foregoing is in accordance with your understanding, kindly sign and return to us two counterparts hereof, and upon confirmation and acceptance by the Underwriters, this letter and such confirmation and acceptance will become a binding agreement between the Company, on the one hand, and each of the Underwriters, on the other hand, in accordance with its terms.

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DUKE ENERGY CAROLINAS, LLC

By:_____

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BANC OF AMERICA SECURITIES LLC
CITIGROUP GLOBAL MARKETS INC.
MORGAN STANLEY & CO. INCORPORATED
WELLS FARGO SECURITIES, LLC

On behalf of each of the Underwriters

BANC OF AMERICA SECURITIES LLC

By:_____
Name:
Title:

CITIGROUP GLOBAL MARKETS INC.

By:_____
Name: Brian D. Bednarski
Title: Managing Director

MORGAN STANLEY & CO. INCORPORATED

By:_____
Name:
Title:

WELLS FARGO SECURITIES, LLC

By:_____
Name:
Title:

If the foregoing is in accordance with your understanding, kindly sign and return to us two counterparts hereof, and upon confirmation and acceptance by the Underwriters, this letter and such confirmation and acceptance will become a binding agreement between the Company, on the one hand, and each of the Underwriters, on the other hand, in accordance with its terms.

Very truly yours,

DUKE ENERGY CAROLINAS, LLC

By:_____

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confirmed and accepted as of the date first above written.
BANC OF AMERICA SECURITIES LLC
CITIGROUP GLOBAL MARKETS INC.
MORGAN STANLEY & CO. INCORPORATED
WELLS FARGO SECURITIES, LLC

On behalf of each of the Underwriters

BANC OF AMERICA SECURITIES LLC

By:_____
Name:
Title:

CITIGROUP GLOBAL MARKETS INC.

By:_____
Name:
Title:

MORGAN STANLEY & CO. INCORPORATED

By:_____
Name: Yuri Shy
Title: VP

WELLS FARGO SECURITIES, LLC

By:_____
Name:
Title:

If the foregoing is in accordance with your understanding, kindly sign and return to us two counterparts hereof, and upon confirmation and acceptance by the Underwriters, this letter and such confirmation and acceptance will become a binding agreement between the Company, on the one hand, and each of the Underwriters, on the other hand, in accordance with its terms.

Very truly yours,

DUKE ENERGY CAROLINAS, LLC

By:_____

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confirmed and accepted as of the date first above written.
BANC OF AMERICA SECURITIES LLC
CITIGROUP GLOBAL MARKETS INC.
MORGAN STANLEY & CO. INCORPORATED
WELLS FARGO SECURITIES, LLC

On behalf of each of the Underwriters

BANC OF AMERICA SECURITIES LLC

By:_____
Name:
Title:

CITIGROUP GLOBAL MARKETS INC.

By:_____
Name:
Title:

MORGAN STANLEY & CO. INCORPORATED

By:_____
Name:
Title:

WELLS FARGO SECURITIES, LLC

By: Carolyn C. Hurley
Name: Carolyn C. Hurley
Title: Vice President

## SCHEDULE A

| Underwriter | Principal Amount of Bonds to be Purchased |
|---|---|
| Banc of America Securities LLC..... | $ 131,250,000 |
| Citigroup Global Markets Inc. ..... | 131,250,000 |
| Morgan Stanley & Co. Incorporated..... | 131,250,000 |
| Wells Fargo Securities, LLC..... | 131,250,000 |
| BBVA Securities Inc. ..... | 37,500,000 |
| Banca IMI S.p.A. ..... | 37,500,000 |
| Goldman, Sachs & Co. ..... | 37,500,000 |
| Scotia Capital (USA) Inc. ..... | 37,500,000 |
| SunTrust Robinson Humphrey, Inc..... | 37,500,000 |
| Blaylock Robert Van, LLC..... | 7,500,000 |
| SL Hare Capital, Inc..... | 7,500,000 |
| CastleOak Securities, L.P. ..... | 7,500,000 |
| Toussaint Capital Partners, LLC..... | 7,500,000 |
| Cabrera Capital Markets, LLC..... | 7,500,000 |
| **Total**..... | **$750,000,000** |

## SCHEDULE B

## PRICING DISCLOSURE PACKAGE

1) Base Prospectus
2) Preliminary Prospectus Supplement dated November 19, 2009
3) Permitted Free Writing Prospectuses
   a) Pricing Term Sheet attached as Schedule C hereto

**SCHEDULE C**

*Filed pursuant to Rule 433*
*November 16, 2009*

*Relating to*
*Preliminary Prospectus Supplement dated November 16, 2009 to*
*Prospectus dated October 3, 2007*
*Registration Statement No. 333-146483-03*

**Duke Energy Carolinas, LLC**
**First and Refunding Mortgage Bonds,**
**$750,000,000 5.30% Series due 2040**

Pricing Term Sheet

| | |
|---|---|
| Issuer: | Duke Energy Carolinas, LLC |
| Ratings (Moody's/S&P): | A1/A (stable/positive)<br><br>A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time. |
| Settlement: | November 19, 2009; T + 3 |
| Interest Payment Dates: | February 15 and August 15, commencing August 15 |
| Security Description: | First and Refunding Mortgage Bonds, 5.30% Series due 2040 |
| Principal Amount: | $750,000,000 |
| Maturity: | February 15, 2040 |
| Coupon: | 5.30% |
| Benchmark Treasury: | 4.50% due August 15, 2039 |
| Benchmark Treasury Yield: | 4.277% |
| Spread to Benchmark Treasury: | +105 bp |
| Yield to Maturity: | 5.327% |
| Initial Price to Public: | 99.573% per Bond |
| Redemption Provisions: | |
| Make-Whole Call: | +20 bp |
| CUSIP: | 26442CAH7 |

| | |
|---|---|
| Book-Running Managers: | Banc of America Securities LLC<br>Citigroup Global Markets Inc.<br>Morgan Stanley & Co. Incorporated<br>Wells Fargo Securities, LLC |
| Co-Managers: | BBVA Securities Inc.<br>Banca IMI S.p.A.<br>Goldman, Sachs & Co.<br>Scotia Capital (USA) Inc.<br>SunTrust Robinson Humphrey, Inc. |
| Junior Co-Managers: | Blaylock Robert Van, LLC<br>SL Hare Capital, Inc.<br>CastleOak Securities, L.P.<br>Toussaint Capital Partners, LLC<br>Cabrera Capital Markets, LLC |

The issuer has filed a registration statement (including a prospectus) with the SEC for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents the issuer has filed with the SEC for more complete information about the issuer and this offering. You may get these documents for free by visiting EDGAR on the SEC Web site at www.sec.gov. Alternatively, the issuer, any underwriter or any dealer participating in the offering will arrange to send you the prospectus if you request it by calling Banc of America Securities LLC toll free at 1-800-294-1322, Citigroup Global Markets Inc. toll free at 1-877-858-5407, Morgan Stanley & Co. Incorporated toll free at 1-866-718-1649 or Wells Fargo Securities, LLC toll free at 1-800-326-5897.

Material Agreements

$300,000,000 Credit Agreement, dated September 5, 2003, among Duke Energy Receivables Finance Company, LLC, as Borrower, CAFCO, LLC, as Initial Lender, the other Lenders listed therein and Citicorp North America, Inc., as Administrative Agent.

Servicing Agreement, dated September 5, 2003, among Duke Energy Receivables Finance Company, LLC, as Buyer, Duke Energy Corporation, as initial Servicer, and Citicorp North America, Inc., as Administrative Agent.

Receivables Purchase Agreement, dated September 5, 2003, between Duke Energy Corporation, as Seller, and Duke Energy Receivables Finance Company, LLC, as Buyer.

**BEFORE**
**THE PUBLIC SERVICE COMMISSION OF**
**SOUTH CAROLINA**

**DOCKET NO. 2007-338-E**

| | |
|---|---|
| Application of Duke Energy Carolinas, LLC, | ) |
| For Authorization Under Article 13, Chapter | ) |
| 27 of Title 58 Of The Code Of Laws of South | ) |
| Carolina, (1976, As Amended), to Issue and | ) |
| Sell Securities | ) |
| | ) |

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**REPORT OF ISSUE AND SALE**

**OF SECURITIES**

# EXHIBIT 3

**90TH SUPPLEMENTAL INDENTURE**
**TO FIRST AND REFUNDING MORTGAGE**

Execution Version

# DUKE ENERGY CAROLINAS, LLC

# TO

# THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., Trustee

# NINETIETH SUPPLEMENTAL INDENTURE

**Dated as of November 19, 2009**

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## CREATING A SERIES OF FIRST AND REFUNDING MORTGAGE BONDS
## $750,000,000 FIRST AND REFUNDING MORTGAGE BONDS, 5.30% SERIES DUE 2040

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## SUPPLEMENTAL TO FIRST AND REFUNDING MORTGAGE DATED AS OF DECEMBER 1, 1927

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Drawn By and Return To Robinson, Bradshaw & Hinson, P.A.
101 N. Tryon Street, Suite 1900, Charlotte, NC 28246

SUPPLEMENTAL INDENTURE, bearing date as of the 19th day of November, 2009, made and entered into by and between Duke Energy Carolinas, LLC, a limited liability company duly organized and existing under the laws of the State of North Carolina, hereinafter called the "Company", party of the first part, and The Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A.), a national banking association, having a corporate trust office at 900 Ashwood Parkway, Suite 425, Atlanta, Georgia 30338, hereinafter called the "Trustee", as Trustee, party of the second part. The Trustee is the successor to JPMorgan Chase Bank, N.A. (formerly known as The Chase Manhattan Bank, formerly known as Chemical Bank (successor to Morgan Guaranty Trust Company of New York)), as Trustee.

WHEREAS the Company's predecessor is Duke Energy Corporation (formerly known as Duke Power Company), a corporation organized under the laws of the State of North Carolina, which converted its form of organization on April 3, 2006 from a North Carolina corporation to a North Carolina limited liability company named "Duke Power Company LLC," which changed its name to Duke Energy Carolinas, LLC on October 1, 2006; and

WHEREAS Duke Power Company, a New Jersey corporation, hereinafter called the "New Jersey Company", duly executed and delivered its First and Refunding Mortgage, dated as of December 1, 1927, to Guaranty Trust Company of New York, as Trustee, to secure its First and Refunding Mortgage Gold Bonds, to be issued from time to time in series as provided in said Mortgage, and has from time to time duly executed and delivered supplemental indentures, including supplemental indentures dated as of September 1, 1947 and February 1, 1949, to Guaranty Trust Company of New York (the corporate name of which has been changed to Morgan Guaranty Trust Company of New York), as Trustee, and a supplemental indenture dated as of February 1, 1960 to Morgan Guaranty Trust Company of New York, as Trustee, supplementing and modifying said Mortgage (said Mortgage, as so supplemented and modified by the supplemental indentures dated as of September 1, 1947, February 1, 1949 and February 1, 1960, being hereinafter referred to as the "original indenture"); and

WHEREAS bonds of a series known as the "First and Refunding Mortgage Bonds, 2.65% Series Due 1977" (herein called "bonds of the 2.65% Series"), bonds of a series known as the "First and Refunding Mortgage Bonds, 2 7/8% Series Due 1979" (herein called "bonds of the 1979 Series"), bonds of a series known as the "First and Refunding Mortgage Bonds, 6 3/8% Series Due 1998" (herein called "bonds of the 1998 Series"), bonds of a series known as the "First and Refunding Mortgage Bonds, Pollution Control Facilities Revenue Refunding Series Due 2014" (herein called "bonds of the 1990 Pollution Control Series"), bonds of a series known as the "First and Refunding Mortgage Bonds, City of Greensboro Series Due 2027" (herein called "bonds of the 2027 City of Greensboro Series"), bonds of a series known as the "First and Refunding Mortgage Bonds, Medium-Term Notes Series" (herein called "bonds of the Medium-Term Notes Series"), bonds of a series known as the "First and Refunding Mortgage Bonds, 6 5/8% Series B Due 2003" (herein called "bonds of the 2003 Series B"), bonds of a series known as the "First and Refunding Mortgage Bonds, 6 3/8% Series Due 2008" (herein called "bonds of the 2008 Series"), bonds of a series known as the "First and Refunding Mortgage Bonds, 5 7/8% Series C Due 2003" (herein called "bonds of the 2003 Series C"), bonds of a series known as the

"First and Refunding Mortgage Bonds, Pollution Control Facilities Revenue Refunding Series Due 2014" (herein called "bonds of the 1993 Pollution Control Series"), bonds of a series known as the "First and Refunding Mortgage Bonds, 6 1/4% Series B 2004" (herein called "bonds of the 2004 Series B"), bonds of a series known as the "First and Refunding Mortgage Bonds, 7% Series Due 2033" (herein called "bonds of the 2033 Series"), bonds of a series known as the "First and Refunding Mortgage Bonds, 6 7/8% Series B Due 2023" (herein called "bonds of the 2023 Series B"), bonds of a series known as the "First and Refunding Mortgage Bonds, 6 3/4% Series Due 2025" (herein called "bonds of the 2025 Series"), bonds of a series known as the "First and Refunding Mortgage Bonds, 7 7/8% Series Due 2024" (herein called "bonds of the 2024 Series"), bonds of a series known as the "First and Refunding Mortgage Bonds, 7 1/2% Series B Due 2025" (herein called "bonds of the 2025 Series B"), bonds of a series known as the "First and Refunding Mortgage Bonds, 7 1/2% Series Due 1999" (herein called "bonds of the 1999 Series"), bonds of a series known as the "First and Refunding Mortgage Bonds, 7% Series Due 2000" (herein called "bonds of the 2000 Series"), bonds of a series known as the "First and Refunding Mortgage Bonds, 7% Series B Due 2000" (herein called "bonds of the 2000 Series B"), bonds of a series known as the "First and Refunding Mortgage Bonds, 6.625% Series Due 2003" (herein called "bonds of the 2003 Series"), bonds of a series known as the "First and Refunding Mortgage Bonds, 9 5/8% Series Due 2020" (herein called "bonds of the 2020 Series"), bonds of a series known as the "First and Refunding Mortgage Bonds, 8 3/4% Series Due 2021" (herein called "bonds of the 2021 Series"), bonds of a series known as "First and Refunding Mortgage Bonds, 7% Series Due 2005" (herein called "bonds of the 2005 Series"), bonds of a series known as "First and Refunding Mortgage Bonds, 3.75% Series A Due 2008" (herein called "bonds of the 3.75% Series A"), bonds of series known as "First and Refunding Mortgage Bonds, 3.75% Series B Due 2008" (herein called "bonds of the 3.75% Series B," and together with the bonds of the 3.75% Series A, the "bonds of the 3.75% Series"), bonds of a series known as "First and Refunding Mortgage Bonds, 7 3/8% Series Due 2023" (herein called "bonds of the 7 3/8% Series"), bonds of a series known as "First and Refunding Mortgage Bonds, 4 1/2% Series Due 2010" (herein called "bonds of the 4 1/2% Series"), bonds of a series known as "First and Refunding Mortgage Bonds, 5.30% Series Due 2015" (herein called "bonds of the 5.30% Series"), bonds of a series known as "First and Refunding Mortgage Bonds, 5.25% Series Due 2018" (herein called "bonds of the 5.25% Series"), bonds of a series known as "First and Refunding Mortgage Bonds, 6.00% Series Due 2038" (herein called "bonds of the 6.00% Series"), bonds of a series known as "First and Refunding Mortgage Bonds, 2007A Pledge Series Due 2040" (herein called "bonds of the 2007A Pledge Series"), bonds of a series known as "First and Refunding Mortgage Bonds, 2007B Pledge Series Due 2040" (herein called "bonds of the 2007B Pledge Series"), bonds of a series known as "First and Refunding Mortgage Bonds, 5.10% Series B Due 2018" (herein called "bonds of the 5.10% Series"), bonds of a series known as "First and Refunding Mortgage Bonds, 6.05% Series B Due 2038" (herein called "bonds of the 6.05% Series"), bonds of a series known as "First and Refunding Mortgage Bonds, 5.75% Series C Due 2013 (herein called "bonds of the 2013 Series C"), bonds of a series known as "First and Refunding Mortgage Bonds, 7.00% Series C Due 2018 (herein called "bonds of the 2018 Series C"), bonds of a series known as "First and Refunding Mortgage Bonds, Pollution Control Facilities Revenue Refunding Series Due 2017" (herein called "bonds of the 2009 Pollution Control Series"), and such other bonds that have been issued have heretofore been issued and (except for bonds of the 2.65% Series, bonds of the 1979 Series, bonds of the 1998 Series, bonds of the 1990 Pollution Control Series, bonds of the Medium Term Notes Series,

bonds of the 2003 Series B, bonds of the 2008 Series, bonds of the 2003 Series C, bonds of the 1993 Pollution Control Series, bonds of the 2004 Series B, bonds of the 2033 Series, bonds of the 2023 Series B, bonds of the 2025 Series, bonds of the 2024 Series, bonds of the 2025 Series B, bonds of the 1999 Series, bonds of the 2000 Series, bonds of the 2000 Series B, bonds of the 2003 Series, bonds of the 2020 Series, bonds of the 2021 Series, bonds of the 2005 Series, bonds of the 3.75% Series, bonds of the 7 3/8% Series, bonds of the 2007A Pledge Series, bonds of the 2007B Pledge Series, and other such bonds which have been redeemed or retired in their entirety) are the only bonds now outstanding under the original indenture as heretofore supplemented; and

WHEREAS the Company has duly executed and delivered a supplemental indenture, dated as of June 15, 1964, to Morgan Guaranty Trust Company of New York, as Trustee, for the purpose of evidencing the succession by merger of the Company to the New Jersey Company and the assumption by the Company of the covenants and conditions of the New Jersey Company in the original indenture and to enable the Company to have and exercise the powers and rights of the New Jersey Company under the original indenture in accordance with the terms thereof and whereby the Company assumed and agreed to pay duly and punctually the principal of and interest on the bonds issued under the original indenture in accordance with the provisions of said bonds and the coupons thereto appertaining and the original indenture, and agreed to perform and fulfill all the terms, covenants and conditions of the original indenture binding upon the New Jersey Company, and

WHEREAS Morgan Guaranty Trust Company of New York resigned as Trustee under the original indenture as heretofore supplemented and Chemical Bank was appointed successor Trustee, said resignation and appointment having taken effect on August 30, 1994 pursuant to an Instrument of Resignation, Appointment and Acceptance dated as of August 30, 1994 among the Company, Morgan Guaranty Trust Company of New York, as Trustee, and Chemical Bank (now known as JPMorgan Chase Bank, N.A.), as successor Trustee; and

WHEREAS JPMorgan Chase Bank, N.A. resigned as Trustee and The Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A.) was appointed successor Trustee, said resignation and appointment having taken effect on September 24, 2007 pursuant to an Instrument of Resignation, Appointment and Acceptance dated as of September 24, 2007 among the Company, JPMorgan Chase Bank, N.A., as Trustee, and The Bank of New York Mellon Trust Company, N.A., as successor Trustee; and

WHEREAS the Company desires to create under the original indenture, as heretofore supplemented and as to be supplemented by this supplemental indenture, a new series of bonds, to be known as its "First and Refunding Mortgage Bonds, 5.30% Series due 2040", and to determine the terms and provisions and the form of the bonds of such series; and

WHEREAS for the purposes hereinabove recited, and pursuant to due limited liability company action, the Company has duly determined to execute and deliver to the Trustee a supplemental indenture in the form hereof supplementing the original indenture (the original indenture, as previously supplemented by supplemental indentures and as hereby supplemented, being sometimes hereinafter referred to as the "Indenture"); and

WHEREAS all conditions and requirements necessary to make this supplemental indenture a valid, legal and binding instrument in accordance with its terms have been done and performed, and the execution and delivery hereof have been in all respects duly authorized:

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

That in consideration of the premises and of the sum of one dollar duly paid by the Company to the Trustee at or before the execution and delivery of these presents, the receipt whereof is hereby acknowledged, the Company hereby covenants and agrees with the Trustee and its successors in the trust under the Indenture as follows:

## PART ONE.

## BONDS OF THE 2040 SERIES

**SECTION 1.** The Company hereby creates a new series of bonds to be issued under and secured by the Indenture and known as its First and Refunding Mortgage Bonds, 5.30% Series due 2040 (herein called "bonds of the 2040 Series") and the Company hereby establishes, determines and fixes the terms and provisions of the bonds of the 2040 Series as hereinafter in this Part One set forth.

Each bond of the 2040 Series shall be dated the date of its authentication (except that if any such bond shall be authenticated on any interest payment date, it shall be dated the following day) and interest shall be payable on the principal represented thereby commencing August 15, 2010, from the February 15 or August 15, as the case may be, next preceding the date thereof to which interest has been paid, unless such date of authentication is prior to August 15, 2010, in which case interest shall be payable from November 19, 2009; provided, however, that interest shall be payable on each bond of the 2040 Series authenticated after the record date (as defined in the next succeeding paragraph of this Section 1) with respect to any interest payment date and prior to such interest payment date, only from such interest payment date.

Interest on any bond of the 2040 Series shall be paid to the person who, according to the bond register of the Company, is the registered holder of such bond of the 2040 Series at the close of business on the applicable record date, and such interest payments shall be made by check mailed to such registered holder at his last address shown on such bond register or, at the option of the Company, by wire transfer at such place and to such account at a banking institution in the United States as may be designated in writing to the Trustee at least sixteen (16) days prior to the date of payment by the Person entitled thereto (provided, that if the bonds of the 2040 Series are represented by Global Securities held by the Depositary, payment may be made pursuant to the procedures of the Depositary); provided, however, that, if the Company shall default in the payment of the interest due on any interest payment date on any bond of the 2040 Series, such defaulted interest shall be paid to the registered holder of such bond (or any bond or bonds of the 2040 Series issued upon transfer, exchange or substitution thereof) on the date of subsequent payment of such defaulted interest or, at the election of the Company, to the person in whose name such bond (or any bond or bonds of the 2040 Series issued upon transfer,

exchange or substitution thereof) is registered on a subsequent record date established by notice given by mail by or on behalf of the Company to the holders of all bonds of the 2040 Series not less than ten (10) days preceding such subsequent record date. The term "record date" as used in this Section 1 shall mean, with respect to any semi-annual interest payment date, the close of business on the February 1 or August 1, whether or not a business day, next preceding such interest payment date or, in the case of a payment of defaulted interest, the close of business on any subsequent record date established as provided above.

**SECTION 2.** All bonds of the 2040 Series shall mature as to principal on February 15, 2040 and shall bear interest at a rate of 5.30% per annum, payable semi-annually on the fifteenth day of February and August in each year, commencing on the fifteenth day of August, 2010. Interest on the bonds of the 2040 Series will be computed on the basis of a 360-day year consisting of twelve 30-day months.

**SECTION 3.** The bonds of the 2040 Series shall be fully registered bonds, without coupons, in denominations of two thousand dollars ($2,000) and integral multiples of one thousand dollars ($1,000) in excess thereof, all such bonds to be numbered, and shall be transferable and exchangeable as provided in the form of bond set forth as Exhibit A to this supplemental indenture. The provisions of §1.19 and any other provision in the Indenture in respect of coupon bonds or reservation of coupon bond numbers shall be inapplicable to the bonds of the 2040 Series.

**SECTION 4.** The bonds of the 2040 Series may be redeemed at the option of the Company, in whole or in part at any time and from time to time, at a redemption price equal to the greater of (1) 100% of the principal amount of the bonds of the 2040 Series to be redeemed and (2) the sum of the present values of the remaining scheduled payments of principal and interest on such bonds of the 2040 Series being redeemed (exclusive of interest accrued to the redemption date) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 20 basis points, plus, in either case, accrued and unpaid interest on the principal amount being redeemed to such redemption date. The Company shall notify the Trustee of the redemption price with respect to any redemption pursuant to this paragraph promptly after the calculation thereof. The Trustee shall not be responsible for calculating said redemption price.

The bonds of the 2040 Series are also subject to redemption through the operation of the Replacement Fund provided in Part Two of this supplemental indenture or through the application of moneys paid to the Trustee pursuant to the provisions of §5.05 of the Indenture, at any time or from time to time prior to maturity, upon prior notice as hereinafter provided, at the redemption prices specified in the fourth paragraph of the reverse side of the form of bond set forth as Exhibit A to this supplemental indenture, together with interest accrued thereon to the date fixed for redemption thereof.

In the event that any redemption date is not a Business Day, The Company shall pay the redemption price on the next Business Day without any interest or other payment due to the delay.

All such redemptions of bonds of the 2040 Series shall be effected as provided in Article 3 of the Indenture except that, in case a part only of the bonds of the 2040 Series is to be paid and redeemed, the particular bonds or part thereof shall be selected by the Trustee in such manner as the Trustee in its uncontrolled discretion shall determine to be fair and in any case where several bonds are registered in the same name, the Trustee may treat the aggregate principal amount so registered as if it were represented by one bond and except that when bonds are redeemed in part only the notice given to any particular holder need state only the principal amount of the bonds of that holder which is to be redeemed and except that notice to the holders of bonds to be redeemed shall be given by mailing to such holders a notice of such redemption, first class mail postage prepaid, not later than the thirtieth day, and not earlier than the sixtieth day, before the date fixed for redemption, at their last addresses as they shall appear upon the bond register of the Company. Any notice which is mailed in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the holder receives such notice; and failure duly to give such notice by mail, or any defect in such notice, to the holder of any bond designated for redemption as a whole or in part shall not affect the validity of the proceedings for the redemption of any other bond. No publication of notice of such redemption shall be required.

**SECTION 5.** The limit upon the aggregate principal amount of the bonds of the 2040 Series which may be authenticated and delivered pursuant to this Ninetieth Supplemental Indenture shall be $750,000,000.

**SECTION 6.** The place or places of payment (as to principal and premium, if any, and interest), redemption, transfer, exchange and registration of the bonds of the 2040 Series shall be the office or offices or the agency or agencies of the Company in the Borough of Manhattan, The City of New York, designated from time to time by the Board of Directors of the Company (provided, that if the bonds of the 2040 Series are represented by Global Securities held by or on behalf of the Depositary, the procedures of the Depositary may be followed for any action under this Section 6 of Part One).

**SECTION 7.** The form of the bonds of the 2040 Series and the certificate of the Trustee to be endorsed on such bonds, respectively, shall be in substantially the form set forth in Exhibit A hereto.

## PART TWO.

## REPLACEMENT FUND.

**SECTION 1.** So long as any of the bonds of the 2040 Series are outstanding, the Company will continue to maintain the Replacement Fund set forth in, and in accordance with the applicable terms and conditions now contained in, Part Two of the supplemental indenture dated as of February 1, 1949, and the covenants on the part of the Company contained in such Part Two shall continue and remain in full force and effect, whether or not bonds of the 1979 Series are outstanding and to the same extent as though the words "or any bonds of the 2040 Series" were inserted after the word "Series" appearing in the second line of Section 1 and the

second line of Section 4 of said Part Two of said supplemental indenture dated as of February 1, 1949.

**SECTION 2.** If at any time (a) any of the bonds of the 2040 Series are outstanding and (b) no Outstanding Mortgage Bonds (as defined in Section 1 of Part Three of this supplemental indenture) entitled to the benefit of the Replacement Fund are outstanding and (c) cash which shall have been deposited with the Trustee pursuant to such Replacement Fund shall not within five years from the date of deposit thereof have been paid out, or used or set aside by the Trustee for the payment, purchase or redemption of bonds, pursuant to such Replacement Fund, such cash shall, if in excess of fifty thousand dollars ($50,000), be applied to the redemption of bonds of the 2040 Series in an aggregate principal amount sufficient to exhaust as nearly as possible the full amount of such cash. Anything in Section 5 of Part Two of the aforesaid supplemental indenture dated as of February 1, 1949, in Section 3 of Part Two of the supplemental indentures dated as of May 1, 1993, July 1, 1993, August 1, 1993, August 20, 1993, May 1, 1994, February 25, 2003, March 21, 2003 and September 23, 2003, in Section 3 of Part Three of the supplemental indenture dated as of March 1, 1990 and in Section 5 of Part Four of the supplemental indenture dated as of March 1, 1993 to the contrary notwithstanding, no cash shall be paid over to the Company thereunder if at the time any bonds of the 2040 Series are then outstanding, and such cash shall in such event be applied as in this Part Two set forth.

**SECTION 3.** Whenever all of the bonds of the 2040 Series and all of the Outstanding Mortgage Bonds entitled to the benefit of the Replacement Fund shall have been paid, purchased or redeemed, the Trustee shall, upon application of the Company, pay to or upon the order of the Company all cash theretofore deposited with the Trustee pursuant to the provisions of the Replacement Fund and not previously disposed of pursuant to the provisions of the Replacement Fund, and shall deliver to the Company any bonds which shall theretofore have been deposited with the Trustee pursuant to the provisions of the Replacement Fund or paid, purchased or redeemed pursuant to the provisions of the Replacement Fund.

## PART THREE.

## ADDITIONAL COVENANTS OF THE COMPANY

**SECTION 1.** Whether or not the covenants on the part of the Company contained in Part Three of the supplemental indenture dated as of February 1, 1949 are modified with the consent of the holders of bonds of the 2027 City of Greensboro Series, the 4 1/2% Series, the 5.30% Series, the 5.25% Series, the 6.00% Series, the 5.10% Series, the 6.05% Series, the 2013 Series C, the 2018 Series C or the 2009 Pollution Control Series (collectively, the "Outstanding Mortgage Bonds"), such covenants on the part of the Company contained in said Part Three shall continue and remain in full force and effect so long as any of the bonds of the 2040 Series are outstanding and to the same extent as though the words "or so long as any bonds of the 2040 Series are outstanding" were inserted after the words "so long as any of the bonds of the 1979 Series or any bonds of the 2.65% Series are outstanding" wherever such words appear in said Part Three of the supplemental indenture dated as of February 1, 1949.

**SECTION 2.** Whether or not the second sentence of paragraph (a) of §2.08 of the original indenture (making certain provisions for the definition of the term "net amount" applicable while bonds of the 2.65% Series were outstanding and which was originally set forth in Section 4 of Article One of the supplemental indenture dated as of September 1, 1947 and which is corrected and clarified by Section 2 of Part Four of the supplemental indenture dated as of February 1, 1968) is modified with the consent of the holders of any of the Outstanding Mortgage Bonds, said sentence shall continue and remain in full force and effect so long as any bonds of the 2040 Series are outstanding, and with the same force and effect as though said sentence had stated that such provisions were to be applicable so long as any of the bonds of the 2040 Series are outstanding.

## PART FOUR.

## GLOBAL SECURITIES; TRANSFER AND EXCHANGE

**SECTION 1.** The bonds of the 2040 Series shall initially be issued in the form of one or more Global Securities registered in the name of the Depositary (which initially shall be The Depository Trust Company) or its nominee. Except under the limited circumstances described below, bonds of the 2040 Series represented by such Global Security or Global Securities shall not be exchangeable for, and shall not otherwise be issuable as, bonds of the 2040 Series in definitive form. The Global Securities described in this Part Four may not be transferred except by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary or to a successor Depositary or its nominee.

None of the Company, the Trustee nor any agent of the Company or the Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of a Global Security or maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

A Global Security shall be exchangeable for bonds of the 2040 Series registered in the names of persons other than the Depositary or its nominee only if (i) the Depositary notifies the Company that it is unwilling or unable to continue as a Depositary for such Global Security and no successor Depositary shall have been appointed by the Company within 90 days of receipt by the Company of such notification, or if at any time the Depositary ceases to be a clearing agency registered under the Exchange Act at a time when the Depositary is required to be so registered to act as such Depositary and no successor Depositary shall have been appointed by the Company within 90 days after it becomes aware of such cessation, (ii) an Event of Default has occurred and is continuing with respect to the 2040 Series or (iii) the Company in its sole discretion, and subject to the procedures of the Depositary, determines that such Global Security shall be so exchangeable. Any Global Security that is exchangeable pursuant to the preceding sentence shall be exchangeable for bonds of the 2040 Series registered in such names as the Depositary shall direct.

**SECTION 2.** Depository Legend. Each of the Global Securities shall bear the following legend (the "Depository Legend") on the face thereof:

"UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), NEW YORK, NEW YORK, TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO DTC, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF."

**SECTION 3.** Transfer and Exchange.

(a) Every bond of the 2040 Series presented or surrendered for registration of transfer or for exchange shall (if so required by the Company or the Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed, by the Holder thereof or his attorney duly authorized in writing.

(b) No service charge shall be made for any registration of transfer or exchange of bonds of the 2040 Series, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration or transfer or exchange of bonds of the 2040 Series.

**SECTION 4.** Definitions. The following defined terms used herein shall, unless the context otherwise requires, have the meanings specified below. Capitalized terms used herein for which no definition is provided herein shall have the meanings set forth in the Indenture.

"Business day" means any day other than a day on which banks in New York City are required or authorized to be closed.

"Comparable Treasury Issue" means the United States Treasury security or securities selected by the Quotation Agent as having an actual or interpolated maturity comparable to the remaining term of the bonds of the 2040 Series to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such bonds of the 2040 Series.

"Comparable Treasury Price" means, with respect to any redemption date, (A) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (B) if the Quotation Agent obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Depositary" means a clearing agency registered under the Exchange Act that is designated to act as Depositary for the bonds of the 2040 Series, which Depositary shall initially be The Depository Trust Company.

"Depository Legend" means a legend set forth in Section 2 of this Part Four.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Global Security" means a bond of the 2040 Series in global form.

"Holder" means a Person in whose name a bond of the 2040 Series is registered in the registration books maintained by the Trustee.

"Person" means any individual, corporation, partnership, limited liability company or corporation, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Quotation Agent" means one of the Reference Treasury Dealers appointed by the Company.

"Reference Treasury Dealer" means each of Banc of America Securities LLC, Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated and a Primary Treasury Dealer (as defined herein) selected by Wells Fargo Securities, LLC, plus one other financial institution appointed by the Company at the time of any redemption or their respective affiliates or successors which are primary U.S. Government securities dealers; provided, however, that if any of the foregoing or their affiliates or successors shall cease to be a primary U.S. Government securities dealer in the United States (a "Primary Treasury Dealer"), the Company shall substitute therefor another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Quotation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Quotation Agent by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business day preceding such redemption date.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

## PART FIVE.

## MISCELLANEOUS.

**SECTION 1.**

(a) For the purposes of §2.10 of the Indenture and for the purposes of any modification of the provisions of the Replacement Fund referred to in Part Two of this supplemental indenture, the covenants and provisions on the part of the Company which are set forth or incorporated in Part Two of this supplemental indenture shall be for the benefit only of the holders of the bonds of the 2040 Series. Such covenants and provisions shall remain in force and be applicable only so long as any bonds of the 2040 Series shall be outstanding, and, subject to the provisions of paragraph (2) of subdivision (c) of §10.01 of the Indenture, any such covenants and provisions may be modified with respect to the bonds of the 2040 Series with the consent, in writing or by vote at a bondholders' meeting of the holders of sixty-six and two-thirds per cent (66 2/3%) of the principal amount of the bonds of the 2040 Series, as the case may be, at the time outstanding and without the consent of the holders of any other bonds then outstanding under the Indenture; provided that no such consent shall be effective to waive any past default under such covenants and provisions, and its consequences, unless the consent of the holders of at least a majority in principal amount of all bonds then outstanding under the Indenture is obtained. Such covenants shall be deemed to be additional covenants and none of them shall affect or derogate from, or relieve the Company from, its obligation to comply with any of the other covenants, conditions, requirements or provisions of the Indenture or any other supplemental indenture.

(b) For the purposes of §2.10 of the Indenture and for the purposes of any modification of the provisions of Part Three of this supplemental indenture, the covenants and provisions on the part of the Company which are set forth or incorporated in said Part Three shall be for the benefit only of the holders of the bonds of the 2040 Series. Such covenants and provisions shall remain in force and be applicable only so long as any bonds of the 2040 Series shall be outstanding, and, subject to the provisions of paragraph (2) of subdivision (c) of §10.01 of the Indenture, any such covenants and provisions may be modified with respect to the bonds of the 2040 Series with the consent, in writing or by vote at a bondholders' meeting of the holders of sixty-six and two-thirds per cent (66 2/3 %) of the principal amount of the bonds of the 2040 Series, at the time outstanding and without the consent of the holders of any other bonds then outstanding under the Indenture; provided that no such consent shall be effective to waive any past default under such covenants and provisions, and its consequences, unless the consent of the holders of at least a majority in principal amount of all bonds then outstanding under the Indenture is obtained. Such covenants shall be deemed to be additional covenants and none of them shall affect or derogate from, or relieve the Company from, its obligation to comply with any of the other covenants, conditions, requirements or provisions of the Indenture or any other supplemental indenture.

**SECTION 2.** All terms contained in this supplemental indenture shall, except as specifically provided herein or except as the context may otherwise require, have the meanings given to such terms in the Indenture.

**SECTION 3.** In case any one or more of the provisions contained in this supplemental indenture should be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision contained in this supplemental indenture, and, to the extent, but only to the extent, that such provision is invalid, illegal or unenforceable, this supplemental indenture shall be construed as if such provision had never been contained herein.

**SECTION 4.** The Trustee hereby accepts the trusts herein declared and provided upon the terms and conditions in the Indenture set forth.

**SECTION 5.** This supplemental indenture may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

**SECTION 6.** In addition to the amendment provisions of the Indenture, the terms and conditions of this supplemental indenture and the bonds of the 2040 Series may be modified, amended or supplemented by the Company and the Trustee, without the consent of the holders of the bonds of the 2040 Series, and if not inconsistent with the Indenture, to cure ambiguities in this supplemental indenture or the bonds of the 2040 Series, or correct defects or inconsistencies in the provisions of this supplemental indenture or the bonds of the 2040 Series or to provide for such appropriate additional provisions in this supplemental indenture or the bonds of the 2040 Series as are necessary for certificated bonds to be issued in lieu of Global Securities or to reflect additional provisions related to the issuance of Global Securities (including changes in the procedures of the Depositary).

IN WITNESS WHEREOF, Duke Energy Carolinas, LLC, the party of the first part hereto, has caused this supplemental indenture to be signed in its name by one of its Vice Presidents and its company seal to be hereunto affixed, and the same to be attested by one of its Assistant Secretaries, and The Bank of New York Mellon Trust Company, N.A., the party of the second part hereto, in token of its acceptance of the trust hereby created, has caused this supplemental indenture to be signed in its name by one of its Vice Presidents and its corporate seal to be hereunto affixed, and the same to be attested by one of Vice Presidents, all as of the day and year first above written.

DUKE ENERGY CAROLINAS, LLC

By: _____
Name: David S. Maltz
Title: Vice President and Secretary

ATTEST:

_____
Name: Robert T. Lucas III
Title: Assistant Secretary

Signed, sealed, executed, acknowledged and delivered by Duke Energy Carolinas, LLC, in the presence of:

_____
Delcia S. Dunlap

_____
Jennie M. Raine

The Bank of New York Mellon Trust Company, N.A., as Trustee

By: _____
Name: Van K. Brown
Title: Vice President

ATTEST:

_____
Name: Karen Z. Kelly
Title: Vice President

Signed, sealed, executed, acknowledged and delivered by The Bank of New York Mellon Trust Company, N.A., in the presence of:

_____
Sabrina Jones

_____
Daya Jayaraj

State of Georgia )
) ss.:
County of Dekalb )

Personally appeared before me, Sabrina Jones, and made oath that she saw Van K. Brown, a Vice President, and Karen Z. Kelly, a Vice President, respectively, of The Bank of New York Mellon Trust Company, N.A., sign, attest and affix hereto the corporate seal of said The Bank of New York Mellon Trust Company, N.A., and, as the act and deed of said corporation, deliver the within written and foregoing deed, and that she, with Daya Jayaraj, witnessed the execution thereof.

Sabrina Jones

Sworn and subscribed before me
this 19th day of November, 2009.

David Dawes
Notary Public
Commission Expires August 22, 2010

State of Georgia )
) ss.:
County of Dekalb )

I, David Dawes, a Notary Public in and for the State and County aforesaid, certify that Karen Z. Kelly personally came before me this day and acknowledged that she is a Vice President of The Bank of New York Mellon Trust Company, N.A., a national banking association, and that, by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by one of its Vice Presidents, sealed with its corporate seal, and attested by herself as one of its Vice Presidents.

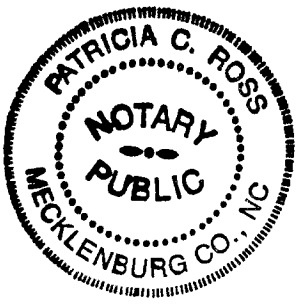
Witness may hand and official seal, this 19th day of November, 2009.

David Dawes
Notary Public
Commission Expires August 22, 2010

State of North Carolina )
) ss.:
County of Mecklenburg )

I, Patricia C. Ross, a notary public of Mecklenburg County, North Carolina, certify that Delcia S. Dunlap personally appeared before me this day, and being duly sworn, stated that in her presence David S. Maltz executed the foregoing instrument, and that she, with Jennie M. Raine, witnessed the execution thereof.

Witness my hand and official seal, this the 19th day of November, 2009.




Delcia S. Dunlap

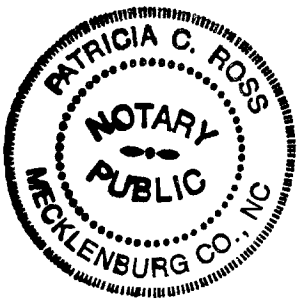
Name: Patricia C. Ross
Notary Public

My Commission Expires 10-17-2014

State of North Carolina )
) ss.:
County of Mecklenburg )

I, Patricia C. Ross, a Notary Public in and for the State and County aforesaid, certify that Robert T. Lucas III personally came before me this day and acknowledged that he is an Assistant Secretary of Duke Energy Carolinas, LLC, a North Carolina limited liability company, and that, by authority duly given and as the act of the company, the foregoing instrument was signed in its name by one of its Vice Presidents, sealed with its seal, and attested by himself as one of its Assistant Secretaries.

Witness my hand and official seal, this the 19th day of November, 2009.




Name: Patricia C. Ross
Notary Public

My Commission Expires 10-17-2014

EXHIBIT A

FORM OF DUKE ENERGY CAROLINAS, LLC
FIRST AND REFUNDING MORTGAGE BOND, 5.30% SERIES DUE 2040

[FACE SIDE OF BOND]

[DEPOSITORY LEGEND, IF APPLICABLE]

DUKE ENERGY CAROLINAS, LLC

FIRST AND REFUNDING MORTGAGE BOND,
5.30% SERIES DUE 2040

No. $
CUSIP No. 26442CAH7
ISIN US26442CAH79

Duke Energy Carolinas, LLC, a North Carolina limited liability company (hereinafter called the "Company"), for value received, hereby promises to pay to _____ or registered assigns, the principal sum of _____ Dollars on February 15, 2040 in any coin or currency of the United States of America which at the time of payment shall be legal tender for the payment of public and private debts, at the office or agency of the Company in the Borough of Manhattan, The City of New York, and to pay interest thereon at said office or agency from the interest payment date next preceding the date hereof to which interest on outstanding bonds of this series has been paid (unless the date hereof is prior to August 15, 2010, in which case from November 19, 2009, and unless the date hereof is subsequent to a record date (as defined below) and prior to the next succeeding February 15 or August 15, in which case from the next succeeding February 15 or August 15, as the case may be), at the rate of 5.30% per annum, in like coin or currency, semi-annually on February 15 and August 15 in each year, commencing August 15, 2010, until the principal hereof shall become due and payable. Such interest payments shall be made to the person in whose name this bond is registered at the close of business on the February 1 or August 1, whether or not a business day, preceding each semi-annual interest payment date (a "record date") (subject to certain exceptions provided in the Indenture hereinafter mentioned), at his last address as it shall appear upon the bond register of the Company.

The provisions of this bond are continued on the reverse hereof and such continued provisions shall for all purposes have the same effect as though fully set forth in this place.

This bond shall not become or be valid or obligatory for any purpose until the Trustee shall have signed the form of certificate endorsed hereon.

IN WITNESS WHEREOF, the Company has caused this instrument to be signed in its name by its President or one of its Vice Presidents, manually or by facsimile signature, and its company seal to be hereto affixed, or a facsimile thereof to be hereon engraved, lithographed or printed, and to be attested by the manual or facsimile signature of its Secretary or one of its Assistant Secretaries.

Dated:

DUKE ENERGY CAROLINAS, LLC

By: _____
Name:
Title:

ATTEST:

_____
Name:
Title:

CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds, of the series designated therein, described in the within-mentioned Indenture.

The Bank of New York Mellon Trust Company, N.A., as Trustee

By: _____
Authorized Signatory

[REVERSE SIDE OF BOND]

This bond is one of the bonds of a series, designated specially as First and Refunding Mortgage Bonds, 5.30% Series due 2040, of an authorized issue of bonds of the Company, without limit as to aggregate principal amount, designated generally as First and Refunding Mortgage Bonds, all issued and to be issued under and equally and ratably secured by a First and Refunding Mortgage dated as of December 1, 1927, duly executed by Duke Power Company, a New Jersey corporation (hereinafter called the "New Jersey Company"), to Guaranty Trust Company of New York, as Trustee (The Bank of New York Mellon Trust Company, N.A., as successor trustee), as supplemented and modified by indentures supplemental thereto, including a supplemental indenture dated November 19, 2009 providing for said series (said First and Refunding Mortgage as so supplemented and modified being hereinafter referred to as the "Indenture"), to which Indenture reference is made for a description of the property mortgaged, the nature and extent of the security, the rights of the holders of the bonds in respect thereof, the terms and conditions upon which the bonds are secured and the restrictions subject to which additional bonds secured thereby may be issued. To the extent permitted by, and as provided in, the Indenture, modifications or alterations of the Indenture, or of any indenture supplemental thereto, and of the rights and obligations of the Company and of the holders of the bonds, may be made with the consent of the Company by the affirmative vote, or with the written consent, of the holders of not less than 66 2/3% in principal amount of the bonds then outstanding, and by the affirmative vote, or with the written consent, of the holders of not less than 66 2/3% in principal amount of the bonds of any series then outstanding and affected by such modification or alteration, in case one or more but less than all of the series of bonds then outstanding under the Indenture are so affected, evidenced, in each case, as provided in the Indenture; provided that any supplemental indenture may be modified in accordance with the provisions contained therein for its modification; and provided, further, that no such modification or alteration shall be made which will affect the terms of payment of the principal of, or interest or premium on, this bond, or the right of any bondholder to institute suit for the enforcement of any such payment on or after the respective due dates expressed in this bond, or reduce the percentage required for the taking of any such action. Any such affirmative vote of, or written consent given by, any holder of this bond is binding upon all subsequent holders hereof as provided in the Indenture.

In case an event of default as defined in the Indenture shall occur, the principal of all the bonds outstanding thereunder may become or be declared due and payable at the time, in the manner and with the effect provided in the Indenture.

The bonds of this series may be redeemed at the option of the Company, in whole or in part at any time and from time to time, at a redemption price equal to the greater of (1) 100% of the principal amount of the bonds of this series to be redeemed and (2) the sum of the present values of the remaining scheduled payments of principal and interest on such bonds (exclusive of interest accrued to the redemption date), discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 20 basis points, plus, in either case, accrued and unpaid interest on the principal amount being redeemed to such redemption date.

"Business day" means any day other than a day on which banks in New York City are required or authorized to be closed.

"Comparable Treasury Issue" means the United States Treasury security or securities selected by the Quotation Agent as having an actual or interpolated maturity comparable to the remaining term of the bonds of this series to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such bonds.

"Comparable Treasury Price" means, with respect to any redemption date, (A) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (B) if the Quotation Agent obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Quotation Agent" means one of the Reference Treasury Dealers appointed by the Company.

"Reference Treasury Dealer" means each of Banc of America Securities LLC, Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated and a Primary Treasury Dealer (as defined herein) selected by Wells Fargo Securities, LLC, plus one other financial institution appointed by the Company at the time of any redemption or their respective affiliates or successors which are primary U.S. Government securities dealers; provided, however, that if any of the foregoing or their affiliates or successors shall cease to be a primary U.S. Government securities dealer in the United States (a "Primary Treasury Dealer"), the Company shall substitute therefor another Primary Treasury Dealer.

"Reference Treasury Dealer Quotation" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Quotation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Quotation Agent by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business day preceding such redemption date.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

The bonds of this series are also subject to redemption for the Replacement Fund for bonds of this series provided for in the supplemental indenture dated as of November 19, 2009, providing for this series, or upon application of moneys arising from a taking of any of the mortgaged property by eminent domain or similar action, at any time or from time to time prior to maturity, at 100% of their principal amount, in each case together with accrued interest up to, but not including, the date fixed for redemption.

Redemption is in every case to be effected at the office or agency of the Company in the Borough of Manhattan, The City of New York, upon at least thirty, but not more than sixty, days' prior notice, given by mail as more fully provided in the Indenture.

If this bond or any portion hereof ($2,000 and integral multiples of $1,000 in excess thereof) is called for redemption and payment is duly provided, this bond or such portion thereof shall cease to bear interest from and after the date fixed for such redemption.

This bond is transferable, as provided in the Indenture, by the registered owner hereof in person or by duly authorized attorney, at the office or agency of the Company in the Borough of Manhattan, The City of New York, upon surrender and cancellation of this bond, and thereupon a new bond of the same series and of like aggregate principal amount will be issued to the transferee in exchange herefor as provided in the Indenture; or the registered owner of this bond, at his option, may surrender the same for cancellation at said office or agency of the Company and receive in exchange herefor the same aggregate principal amount of bonds of the same series of authorized denominations; all subject to the terms of the Indenture but without payment of any charges other than a sum sufficient to reimburse the Company for any stamp taxes or other governmental charges incident thereto.

This bond is a company obligation only and no recourse whatsoever, either directly or through the Company or any trustee, receiver, assignee or any other person, shall be had for the payment of the principal of or premium, if any, or interest on this bond, or for the enforcement of any claim based hereon, or otherwise in respect hereof or of the Indenture, against any promoter, subscriber to the capital stock, incorporator, or any past, present or future stockholder, member, officer or director of the Company as such, or of any successor or predecessor corporation or entity, whether by virtue of any constitutional provision, statute or rule of law, or by the enforcement of any assessment, penalty, subscription or otherwise, any and all such liability of promoters, subscribers, incorporators, stockholders, members, officers and directors being waived and released by each successive holder hereof by the acceptance of this bond, and as a part of the consideration for the issue hereof, and being likewise waived and released by the terms of the Indenture.

[END OF BOND FORM]

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this instrument, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM--as tenants in common

UNIF GIFT MIN ACT-_____ Custodian _____
(Cust) (Minor)

TEN ENT --as tenants by the entireties

JT TEN--as joint tenants with rights of survivorship and not as tenants in common

under Uniform Gifts to Minors Act _____
(State)

Additional abbreviations may also be used though not on the above list.

FOR VALUE RECEIVED, the undersigned hereby sell(s) and transfer(s) unto (please insert Social Security or other identifying number of assignee)

PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING POSTAL ZIP CODE OF ASSIGNEE

the within bond and all rights thereunder, hereby irrevocably constituting and appointing

agent to transfer said bond on the books of the Company, with full power of substitution in the premises.

Dated:_____

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the within instrument in every particular without alteration or enlargement, or any change whatever.

Signature Guarantee:_____

SIGNATURE GUARANTEE

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Trustee, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Trustee in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.